

CA2ALZ 1  
67A01

c.1

GOV DOC

Alberta Provincial Library

CA2 ALZ 1 1967A01  
Report of Alberta Royal Commission of In  
quiry Into Charges Against A 1



3 3398 00145 8487

THE MATTER OF The Public Inquiries Act, being Chapter  
8 of The Revised Statutes of Alberta, 1955, and Amend-  
ments thereto; and

IN THE MATTER OF an Inquiry by a Royal Commission into the  
matters set out in Order-in-Council 861/67 respecting the use  
or attempted use by the Honourable Alfred J. Hooke of his  
office as a member of the Executive Council of Alberta, and  
the use or attempted use by Edgar W. Hinman of his office  
as a member of the Executive Council of Alberta.

---

---

THE REPORT OF  
THE HONOURABLE MR. JUSTICE  
W. J. C. KIRBY

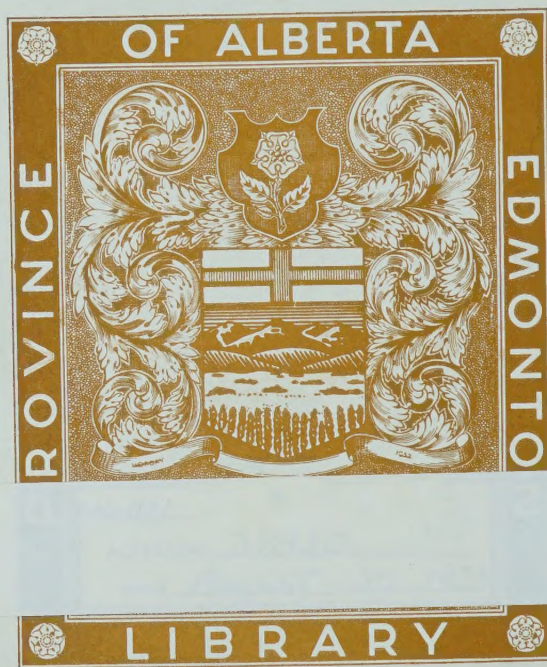
---

---

C. W. CLEMENT, ESQ., Q.C.  
Counsel for the Commission

W. ALAN SHORT, ESQ.,  
Clerk to the Commission





TO HIS HONOUR

THE LIEUTENANT GOVERNOR IN COUNCIL,

May it please Your Honour,

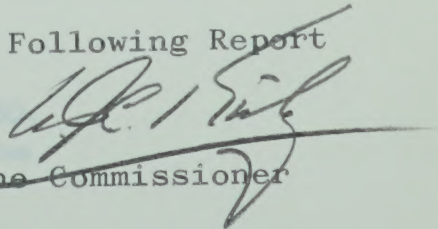
I, the undersigned, William J. C. Kirby, Justice of the Trial Division of the Supreme Court of Alberta, appointed by Royal Commission dated the 12th day of May, 1967, pursuant to The Public Inquiries Act, as a Commissioner to make inquiry into the following matters, namely,

- (1) whether or not the Honourable Alfred J. Hooke used or attempted to use his office as a member of the Executive Council of Alberta for the personal gain of himself, his friends or his business associates, in conflict with his public duty, and
- (2) whether or not Edgar W. Hinman used or attempted to use his office as a member of the Executive Council of Alberta for his personal gain, in conflict with his public duty,

and to report thereon to the Lieutenant Governor in Council.

Beg to Submit to Your Honour

The Following Report

  
The Commissioner

October 1968.







IN THE MATTER OF The Public Inquiries Act, being Chapter  
258 of The Revised Statutes of Alberta, 1955, and Amend-  
ments thereto; and

IN THE MATTER OF an Inquiry by a Royal Commission into the  
matters set out in Order-in-Council 861/67 respecting the use  
or attempted use by the Honourable Alfred J. Hooke of his  
office as a member of the Executive Council of Alberta, and  
the use or attempted use by Edgar W. Hinman of his office  
as a member of the Executive Council of Alberta.

---

---

THE REPORT OF  
THE HONOURABLE MR. JUSTICE  
W. J. C. KIRBY

---

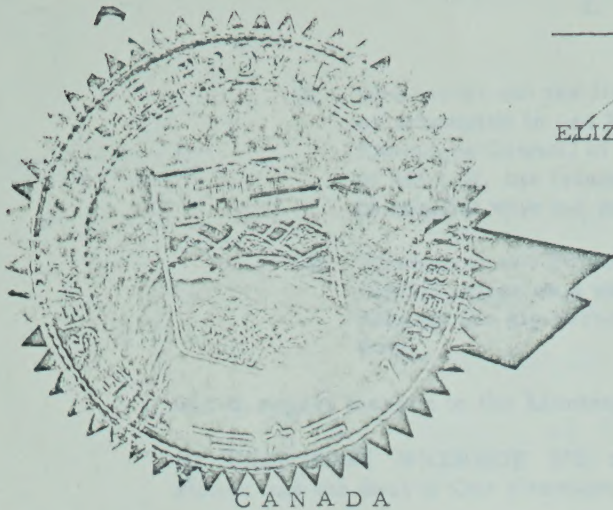
---

C. W. CLEMENT, ESQ., Q.C.  
Counsel for the Commission

W. ALAN SHORT, ESQ.,  
Clerk to the Commission







*Grant McEwen*  
Lieutenant Governor

ELIZABETH THE SECOND, by the Grace of  
God, of the United Kingdom, Canada  
and Her other Realms and Territories,  
QUEEN, Head of the Commonwealth,  
Defender of the Faith

COMMISSION

To all to Whom these presents shall  
come, or Whom the same may in  
anywise concern,

GREETING...

PROVINCE OF ALBERTA

WHEREAS during the last Session of the Legislature of the Province of Alberta the honourable member for Pincher Creek-Crowsnest filed with the Honourable the Speaker of the Assembly a statement containing the following charges:

- " 1. I charge that the Honourable Alfred J. Hooke, the Minister of Municipal Affairs, used or attempted to use his high office for the personal gain of himself, his friends and his business associates in conflict with his public duty.
2. I charge that E. W. Hinman, the hon. member from Cardston (formerly Provincial Treasurer of the Province of Alberta) used or attempted to use his high office while a member of the Government for his personal gain in conflict with his public duty. ";

and

WHEREAS a resolution was passed by the Legislative Assembly expressing its opinion that it is expedient and in the public interest that the said charges should be investigated and inquired into by a Commission established pursuant to The Public Inquiries Act, consisting of or headed by a member of the judiciary and recommending that such a Commission be established for that purpose; and

WHEREAS in order to implement the resolution it is expedient and in the public interest that an inquiry be made into the matters hereinafter set out; and

WHEREAS the matters hereinafter set out are connected with the good government of the Province and the conduct of the public business of the Province:

NOW KNOW YE that by and with the advice of Our Lieutenant Governor in Council, We do by these Presents nominate, constitute and appoint, pursuant to The Public Inquiries Act, the Honourable Mr. Justice William J.C. Kirby, a judge of the Supreme Court of Alberta, as a Commissioner to make an inquiry into the following matters, namely,

.....





- (1) whether or not the Honourable Alfred J. Hooke used or attempted to use his office as a member of the Executive Council of Alberta for the personal gain of himself, his friends or his business associates, in conflict with his public duty, and
- (2) whether or not Edgar W. Hinman used or attempted to use his office as a member of the Executive Council of Alberta for his personal gain, in conflict with his public duty,

and to report thereon to the Lieutenant Governor in Council.

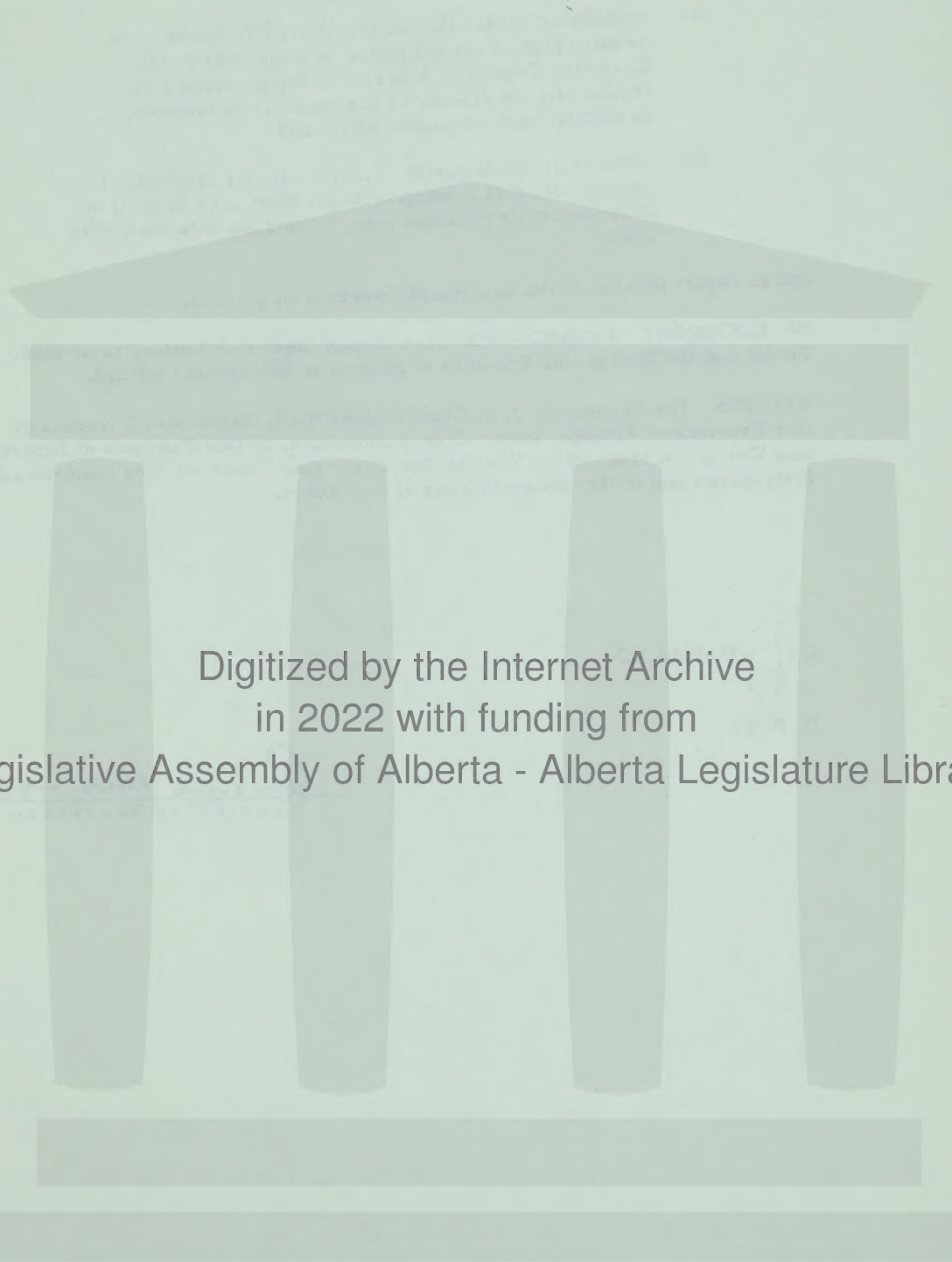
IN TESTIMONY WHEREOF WE have caused these Our Letters to be made Patent and the Seal of Our Province of Alberta to be hereunto affixed.

WITNESS: The Honourable J.W. GRANT MacEWAN, Lieutenant Governor of Our Province of Alberta, in Our City of Edmonton, in Our Province of Alberta, this 12th day of May, in the Year of Our Lord, One Thousand Nine Hundred and Sixty-Seven and in the Sixteenth Year of Our Reign.

BY COMMAND:

D.P.S.

*Amelise Holmich*  
Provincial Secretary



Digitized by the Internet Archive  
in 2022 with funding from  
Legislative Assembly of Alberta - Alberta Legislature Library



## TABLE OF CONTENTS

	<u>Page</u>
<u>PRELIMINARY</u>	
Origin of Inquiry	1
Terms of Reference	3
Standards of Conduct	6
Rules of Evidence	10
 <u>PART I - HONOURABLE ALFRED J. HOOKE</u>	 15
<u>Topics</u>	
1. Rocky Mountain House Treasury Branch Lease .....	17
2. Sherwood Park Development .....	23
3. Whitecroft Development .....	86
4. Hooke Land Assessment .....	88
5. Ideal Homes Ltd. ....	90
6. Hooke-Allard Relationship .....	99
7. Hooke-City of Edmonton Land Transactions	158
 <u>PART II - EDGAR W. HINMAN</u>	 223
<u>Topics</u>	
1. Hinman-Tanner Relationship .....	226
2. Hinman-Superstein Relationship .....	232
3. Farmers & Merchants Trust .....	303
4. Alberta West Forest Products .....	323
5. Miscellaneous Topics .....	347

	<u>Page</u>
Finding .....	355
Concluding Notes .....	356
Appendix "A" - Notice of Inquiry .....	357
Appendix "B" - List of Witnesses .....	358



## APPEARANCES

C. W. Clement, Esq., Q.C. ....	Commission Counsel.
D. H. Bowen, Esq., Q.C. ....	Liberal Association of Alberta.
N. S. Crawford, Esq. ....	Progressive Conservative Party of Alberta.
Gordon H. Dowding, Esq. .... (British Columbia Bar)	Alberta New Democratic Party.
S. A. Friedman, Esq., Q.C. ....	Departments of Government.
W. B. Gill, Esq., Q.C. ....	G. A. Turcott, Esq. and Neil Reimer, Esq.
J. D. Hill, Esq. ....	Progressive Conservative Party of Alberta.
William H. Hurlburt, Esq., Q.C. ..	The Edmonton Journal.
L. Maynard, Esq., Q.C. ....	The Hon. Alfred J. Hooke.
S. H. McCuaig, Esq., Q.C. ....	Mr. E. W. Hinman.
G. H. Steer, Esq., Q.C. ....	Mr. J. Superstein.
G. A. C. Steer, Esq., Q.C. ....	Dr. C. A. Allard.
G. S. D. Wright, Esq. ....	Alberta New Democratic Party.



PRELIMINARY

ORIGIN OF INQUIRY

This inquiry arose out of a statement filed by Garth L. Turcott, M.L.A., with the Honourable the Speaker of the Legislative Assembly, on the 3rd of April, 1967, in which he made the following specific charges:

- "1. I charge that the Honourable Alfred J. Hooke, the Minister of Municipal Affairs, used or attempted to use his high office for the personal gain of himself, his friends and his business associates in conflict with his public duty.
- "2. I charge that E. W. Hinman, the honourable member from Cardston (formerly Provincial Treasurer of the Province of Alberta), used or attempted to use his high office while a member of the Government for his personal gain in conflict with his public duty."

On the 11th of May, 1967, Order in Council No. 861/67 was passed for the issue of a Commission, pursuant to Section 2 of The Public Inquiries Act, R.S.A. 1955, Chapter 258, to investigate and inquire into these charges.

On the 12th of May a Commission was issued pursuant to this Order.

In compliance with the Commission, public hearings were held. A notice in the form shown in Appendix "A" was published in two editions of each of the following daily newspapers, on the dates shown: Edmonton Journal,



Calgary Herald, Calgary Albertan, Lethbridge Herald, Medicine Hat News and Red Deer Advocate, all on June 3rd and June 8th, and the Grande Prairie Herald Tribune on June 2nd and June 8th.

Fifty-five daily sittings were held, all at the Court House, in the City of Edmonton, the first on the 15th of June, 1967, the last on the 4th of June, 1968. In the course of the inquiry evidence was heard from sixty-six witnesses, whose names appear in Appendix "B" in the order of their first appearance. Five hundred and forty exhibits were filed, the official transcript of the proceedings comprises 6,014 pages.

## TERMS OF REFERENCE

The Commission directs an enquiry into the following matters, namely,

- (1) whether or not the Honourable Alfred J. Hooke used or attempted to use his office as a member of the Executive Council of Alberta for the personal gain of himself, his friends or his business associates, in conflict with his public duty, and
- (2) whether or not Edgar W. Hinman used or attempted to use his office as a member of the Executive Council of Alberta for his personal gain, in conflict with his public duty,

and to report thereon to the Lieutenant Governor in Council.

The function of this inquiry under the terms of reference is to ascertain the facts in the matter inquired into, and on the basis of those facts, determine whether the Ministers respectively used or attempted to use their office as a member of the Executive Council as alleged.

I construe the words "used or attempted to use his office as a member of the Executive Council", to mean, "used or attempted to use the authority, power or prestige of his office", and to embrace the use of official information gained by him as a member of the Executive Council, and not otherwise available to the public.

The terms of reference for this inquiry are based on specific charges. This imposes responsibility for a specific finding with respect to each charge, as distinguished from determining whether the accepted standards of conduct governing Ministers of the Crown had been carried out by them in all respects. These standards, however, are pertinent in consideration of the conduct of the Ministers in question and for that reason, authoritative statements on them are quoted below, and have been taken into consideration. But they do not obviate the responsibility of a specific finding on both the specific charges stated in the terms of reference.

In the discharge of that responsibility I propose to follow the course adopted by Lord Justice Denning of the Court of Appeal of England, who in 1963 was appointed by the Prime Minister pursuant to The Tribunal of Inquiries Act, to undertake an inquiry with these terms of reference:

"To examine, in the light of the circumstances leading to the resignation of the former Secretary of State for War, Mr. J. D. Profumo, the operation of the Security Service and the adequacy of their co-operation with the Police in matters of security, to investigate any information or material which may come to his attention in this connection and to consider any evidence there may be for believing that national security has been, or may be, endangered and to report thereon."

After referring to the difficulties inherent in this form of inquiry, Lord Justice Denning said, at page 3



in his report:

"When the facts are clear beyond controversy, I will state them as objectively as I can, irrespective of the consequences to individuals: and I will draw any inference that is manifest from those facts. But when the facts are in issue, I must always remember the cardinal principle of justice - that no man is to be condemned on suspicion. There must be evidence which proves his guilt before he is pronounced to be so. I will therefore take the facts in his favour rather than do an injustice which is without remedy. For from my findings there is no appeal.

"To those who in consequence will reproach me for 'white-washing', I would make this answer: While the public interest demands that the facts should be ascertained as completely as possible, there is a yet higher public interest to be considered, namely, the interest of justice to the individual which overrides all other. At any rate, speaking as a Judge, I put justice first."

In this inquiry, I can do no less.

## STANDARDS OF CONDUCT

The principles which ought to govern the conduct of Ministers of the Crown have been laid down by different British Prime Ministers. These principles are equally applicable in the Province of Alberta.

In the Hansard report of the proceedings of the British House of Commons on the 25th of February, 1952, Prime Minister the Right Honourable Winston Churchill is reported to have said:

"It is a principle of public life that Ministers must so order their affairs that no conflict arises, or appears to arise, between their private interests and their public duties.

"Such a conflict may arise if a Minister takes an active part in any undertaking which may have contractual or other relations with a Government Department, more particularly with his own Department. It may arise, not only if the Minister has a financial interest in such an undertaking, but also if he is actively associated with any body, even of a philanthropic character, which might have negotiations or other dealings with the Government or be involved in disputes with it. Furthermore Ministers should be free to give full attention to their official duties, and they should not engage in other activities which might be thought to distract their attention from those duties.

"Each Minister must decide for himself how these principles apply to him. Over much of the field, as is shown below, there are established precedents; but in any case of doubt the Prime Minister of the day must be the final judge, and Ministers should submit any such case to him for his direction.

"Where it is proper for a Minister to retain any private interest, it is the rule that he should declare that interest to his colleagues if they have to discuss public business in any way affecting it, and that he should entirely detach himself from the consideration of that business."

Jennings, Cabinet Government, Third Edition, at page 109, refers to the following propositions laid down by Prime Minister Asquith in a British House of Commons debate in 1913, with respect to the conduct of Ministers of the Crown:

"The first . . . and the most obvious is that ministers ought not to enter into any transaction whereby their private pecuniary interest might, even conceivably, come into conflict with their public duty . . . Again, no minister is justified under any circumstances in using official information, information that has come to him as a minister, for his own private profit or for that of his friends. Further, no minister ought to allow or to put himself into a position to be tempted to use his official influence in support of any scheme or in furtherance of any contract in regard to which he has an undisclosed private interest . . . Again, no minister ought to accept from persons who are in negotiation with or seeking to enter into contractual or proprietary or pecuniary relations with the State any kind of favour . . . I will add a further proposition, which I am not sure has been completely formulated, though it has no doubt been adumbrated in the course of these Debates, and that is that ministers should scrupulously avoid speculative investments in securities as to which, from their special means of early or confidential information, they have or may have an advantage over other people in anticipating market changes."



The text-book then continues:

"These, he stated as 'rules of obligation'. He added that there were certain 'rules of prudence' which had never been formulated and which could hardly be put in precise or universal terms. 'One of those rules is that in these matters such persons should carefully avoid all transactions which can give colour or countenance to the belief that they are doing anything which the rules of obligation forbid.'"

The text then refers to certain general principles that were laid down in 1937 by Sir John Simon, speaking to the British House of Commons for the Prime Minister:

"In the first place, it is plain that in no circumstances must a man who holds the position of a minister ever allow himself to be in such a situation that his public duty will conflict with his private interests . . . The second principle is that no man should allow himself to occupy any portion of the time which he is bound to devote to his public duties in a disregard of his public duties, and pursuing any private interest whatever, whether it is in playing golf or in the nature of business. The third principle is that inasmuch as the secrets of the Government are specially in charge of Cabinet ministers, no minister, and particularly, no Cabinet minister, must in any circumstances put himself in a position where he is not able to be the complete guardian of those secrets in that there is any possibility of any private interests being served through a knowledge of those secrets."

The legal principles applicable where statutory provisions are imposed on public officials were considered in *Regina ex rel Anderson v. Hawrelak* (1965) 53 W.W.R. 257. In delivering the judgment of the Appellate Division of

this court on an appeal from the judgment of McLaurin, C.J.T.D. declaring the appellant disqualified to hold the office of Mayor of Edmonton and declaring that the seat of the Mayor was vacated, Chief Justice Smith referred to the following statement from York Buildings Co. v. Mackenzie (1795) 8 Bro Parl Cas 42, 3 ER 432 at 446:

"The ground on which the disability or disqualification rests is no other than that principle which dictates that a person cannot be both judge and party. 'No man can serve two masters.' He that is entrusted with the interest of others cannot be allowed to make the business an object of interest to himself; because, from the frailty of human nature, one who has the power, will be too readily seized with the inclination, to use the opportunity for serving his own interest at the expense of those for whom he is entrusted."

"The question is not, whether he influenced others, but whether he discharged his own duty to the corporation. Now the corporation was entitled to his best advice and assistance in the management of its affairs; and to ensure the discharge of this duty, equity incapacitates those who fill such situations from acquiring any private interest opposed to their public duty."

While the matters which are the subject of this inquiry are not the subject of statutory enactment, the principles applied in this case are relevant.

RULES OF EVIDENCE

In trials before a court of law it is a fundamental rule of evidence that evidence is not admissible through the mouth of one witness to show what a third party said for the purpose of proving the truth of what that third person said, because to admit such evidence would be to accept a statement of a person not on oath and because that person cannot be cross-examined on his statement. Such evidence is known as "hearsay". On the same principle mere assertions contained in a letter to a third person, or in a memo of a conversation, are inadmissible to prove the truth of such assertions.

This rule, which has developed through centuries of judicial decisions, serves a purpose fundamental to our system of justice; to ensure that judicial decisions are arrived at solely on the basis of established facts; not on rumour, conjecture, speculation, suspicion. Hearsay evidence is admissible, however, for the purpose of showing a speaker's state of mind and thus throwing light on his motive for doing or saying something.

Nevertheless, Re The Children's Aid Society of the County of York (1934) OWN 418, was cited as authority for the proposition that the rules of evidence ordinarily applicable in our courts of law, have no application in a public inquiry such as this.



This was an opinion of the Ontario Court of Appeal with respect to certain questions arising out of an inquiry pursuant to The Ontario Public Inquiries Act with respect to the conduct, management and administration of The Children's Aid Society of the County of York.

Mulock, C.J., at page 419, referring to the advisability of pointing out the nature of the inquiry in question, said:

"It is one to bring to light evidence or information touching matters referred to the Commissioner. It is not a question between one person and another. . . . The Commissioner should avail himself of all reasonable sources of information, giving a wide scope to the inquiry."

Riddell, J.A., said at page 420:

"A Royal Commission is not for the purpose of trying a case or a charge against any one, any person or any institution - but for the purpose of informing the people concerning the facts of the matter to be inquired into."

and he continued:

"Nor are the strict rules of evidence to be enforced; much that could not be admitted on a trial in Court may be of the utmost assistance to the Commission."

The latter procedure was followed in the conduct of this inquiry. Wide latitude was allowed in witnesses being permitted to give hearsay evidence. This was done

because of the nature of this inquiry originating from allegations, based in considerable measure on rumour, conjecture, speculation and suspicion. It was a function of this inquiry, by hearing and examining this rumour, conjecture, speculation and suspicion, to determine if there was in them any underlying basis of facts, and if so, what these facts were.

Findings of fact in this inquiry, however, involving, unlike The Children's Aid Society case referred to above, specific charges against specific individuals, can only be based on evidence acceptable under the rules of evidence in a court of law.

This is in accord with the view of Mr. Justice M. M. Porter in the report of his inquiry under The City Act in 1956, with respect to officials of the City of Edmonton, in which he said, at page 11:

"This Commission is entitled to inform itself by means other than those available under the ordinary rules of evidence. I would not be prepared, however, to found a conclusion on evidence that includes testimony which would not be available within the limits of the rules of evidence."

Many inferences have had to be drawn from the evidence adduced in this inquiry. Some of these inferences were crucial in arriving at conclusions fundamental to the inquiry. Proper inferences can be drawn only from established facts.

In McLaren v. Canadian Pacific Railway Company (1938) 3 WWR 593, Mackenzie, J.A., in delivering the judgment of the Saskatchewan Court of Appeal, discussed the circumstances under which an inference is justified by the evidence. He cited the statement of Lord Buckmaster, in Craig v. Glasgow Corpn. (1919) SC (HL):

"If a set of circumstances are equally consistent with a number of following hypotheses no one can be selected as the one that is true."

He also cited a statement of Lord Macmillan, in a decision of the House of Lords in Jones v. G. W. Ry. Co. (1931) 47 TLR 39, in which he said:

"The dividing line between conjecture and inference is often a very difficult one to draw. A conjecture may be plausible but it is of no legal value, for its essence is that it is a mere guess. An inference in the legal sense, on the other hand, is a deduction from the evidence, and if it is a reasonable deduction it may have the validity of legal proof. The attribution of an occurrence to a cause is, I take it, always a matter of inference. The cogency of a legal inference of causation may vary in degree between practical certainty and reasonable probability."

In view of the nature and implications of the terms of reference in this inquiry, inferences had to be drawn with great care on the basis of a substantial degree of certainty.

Some of the evidence related to events and conversations which occurred as far back as twenty-seven



years. This has been taken into consideration in evaluating such evidence to determine what weight can properly be attached to it.

The witnesses were subjected to searching cross-examination by as many as six counsel at times. This ensured the most thorough exploration of their knowledge of the matters in question, but by reason of the many techniques of cross-examination, including the use of leading questions, many qualifications, variations and sometimes contradictions of the evidence given on examination in chief have resulted.

The proper function of cross-examination is to ensure as far as possible that the truth is ascertained. Such a multiplication of cross-examination imposed a high degree of care on the Commission in arriving at the true substance of each witness's evidence. Moreover, in some instances the cross-examination was at times characterized by innuendo injected into their questions by counsel and by loaded questions. This perhaps was to be expected from the nature of this inquiry, but simple negative or affirmative answers to such questions have had to be examined critically in the light of other evidence given by the witness and indeed, viewed with considerable skepticism.

A full transcript of the evidence adduced in these proceedings provided daily, has been of inestimable value in the consideration and evaluation of the great amount of evidence adduced.

## PART I

This part relates to the inquiry into whether or not the Honourable Alfred J. Hooke used or attempted to use his office as a member of the Executive Council of Alberta for the personal gain of himself, his friends or his business associates, in conflict with his public duty.

Alfred J. Hooke was first elected to the Legislative Assembly for the Constituency of Red Deer (as it then was) in the Provincial General Election on the 22nd of August 1935. He was then school principal at Rocky Mountain House. On the 1st of May 1943, he was appointed to the Executive Council as Provincial Secretary, and thereafter held the following various Cabinet portfolios for the periods shown:

1 May 1943	-	8 May 1948	-	Provincial Secretary
20 April 1945	-	2 August 1955	-	Economic Affairs
9 Sept. 1952	-	2 August 1955	-	Public Works
2 August 1955	-	1 Sept. 1959	-	Provincial Secretary
2 August 1955	-	29 June 1967	-	Municipal Affairs
29 June 1967	-	present	-	Public Welfare

For purposes of convenience the matters inquired into under this part will be referred to under the following headings:

1. Rocky Mountain House Treasury Branch  
lease;
2. Sherwood Park Development;
3. Whitecroft Development;
4. Hooke Land Assessment;
5. Ideal Homes Ltd.;
6. Hooke-Allard relationship;
7. Hooke- City of Edmonton Land Transactions.



1. TREASURY BRANCH LEASE - ROCKY MOUNTAIN HOUSE

During the period 1st January 1940 to 3rd October 1947, the Treasury Branch at Rocky Mountain House occupied premises leased from Helena A. Hooke, wife of Alfred J. Hooke. The legal description of the property was Lots 39 and 40, Block 20, Plan 101 A.J. Rocky Mountain House.

The first lease effective for one year from the 1st of January 1940, was entered into on or about the 27th of February. At that time Mrs. Hooke was not yet registered as owner of the property, having purchased it in a transaction involving exchange of other properties. Title to the property was transferred to her on the 16th of June 1941, and was registered on the 19th of June. The original lease provided for a monthly rental of \$40.00 including light, fuel and janitor service. This lease was renewed for a year from the 2nd of January 1941, and a three year lease at the same rental and the same services was entered into from the 2nd of February 1942. This latter lease was the only one that was available as an exhibit.

The proposal for the three year lease was conveyed in a letter from the Superintendent of Buildings, Department of Public Works, to Mrs. Hooke, dated the 7th of January 1942. The departmental records indicate that the lease was approved by the Government Purchasing Agency, and by the Attorney General's Department.

Correspondence on the department file indicates that on the 24th of April 1945, the Superintendent of Buildings, Department of Public Works, wrote to the Superintendent, Treasury Branches, pointing out that the lease had expired and asking approval of the renewal of this lease for a further term of three years and on the same conditions; the lease to have a clause to terminate at any time by either party giving sixty days' notice. There is no evidence to indicate whether or not this lease was effected.

A letter by the Superintendent of Buildings to Mrs. Hooke dated the 13th of February 1948, refers to a three year lease from the 1st of December 1946, at a monthly rental of \$35.00. All correspondence relative to the renewal of the leases was between the Superintendent of Buildings and Mrs. Hooke.

Correspondence and memoranda on the department file indicate that Mr. Hooke corresponded with and had some discussions with the Superintendent of Buildings with respect to various matters concerning the leased premises, such as cleaning up, charges for electric power, redecorating, and a dispute over charges for installation of a furnace.

On the 3rd of October 1947, the entire property was sold by Mrs. Hooke to L. R. Lewis, subject to the lease then existing.

Mr. Hooke was a private member of the Legislative Assembly at the time the first lease was entered into and until he was appointed Provincial Secretary on the 1st of May 1943. He gave evidence to the effect that the lease was proceeded with only after he had received assurance from Mr. Aberhart, then Premier, and Mr. Henwood, then Deputy Attorney General, that it was in order for Mrs. Hooke to enter into a lease of this property to the government. He also stated that he had insisted on a monthly rental of \$40.00, which was lower than that prevailing in Rocky Mountain House for similar property, comparable space in the same building being then rented for \$60.00 a month, not including janitor services.

The Treasury Branch occupied three different premises under lease from Mrs. Hooke, the first two in different parts of the same building, the last lease referred to above as from the 18th of February 1946, was for another building which was situated on a side street to the rear of the other building, on the same lots.

The circumstances under which these last premises were leased are indicated in a letter from A. K. Olive, Superintendent of Treasury Branches, to W. D. Stacey, Superintendent of Buildings, dated the 9th of September 1946, which states that the writer went to Rocky Mountain House at the request of Mr. Hooke for the purpose of locating new premises; that the premises then in use were



inadequate; that the occupier of the balance of the building required the space occupied by the Treasury Branch.

The letter went on to state that it was proposed that a move be made to premises located nearby; that Mr. Hooke, the owner, had guaranteed to redecorate; that rent was discussed at \$35.00 per month. The letter concluded with the request that the matter be taken up with Mr. Hooke and a recommendation that a move be made at the earliest possible date.

Mr. Hooke stated that when the move was made to the third premises he had discussed this move with Mr. Olive, the acting Superintendent of Treasury Branches, but that he had no negotiations and no dealing with respect to this lease. On cross-examination with respect to the last statement, he added that the actual discussion for the lease took place at Rocky Mountain House with his wife; that he was not present, but had talked to his wife about it. The rent for these premises was \$5.00 per month less than that of the other two premises, which were stated in the correspondence to be inadequate.

Mr. Hooke testified that the matter of the Treasury Branch lease at Rocky Mountain House had been discussed in the Legislature on three occasions, the first two were prior to his becoming Minister. The third occasion, he said, took place after Mr. Prowse became a member of

the Legislature representing the Armed Forces, and it came about as a result of his having noticed in the public accounts a reference to rents being paid to Mrs. Helena A. Hooke. Again, he said, it was given in all detail.

The following exchange of questions and answers occurred between Mr. Hooke and his counsel:

"Q Now, in 1956 there was a Royal Commission set up, Mr. Hooke, to investigate certain allegations of impropriety in connection with the government and various government ministers. Was this matter of the Rocky Mountain House Treasury Branch investigated by the Royal Commission of 1956?

A No, it was not, Mr. Maynard.

Q Could you tell us why it was not?

A Well, 1953 -- from 1952 until 1955 I was the Minister of Public Works, and when it came to bringing about an investigation, certain members of the opposition, including Mr. Prowse, were asked for -- were asking for a list of properties they wished to investigate, and I suggested at that time -- or asked him at that time did he wish to include the Rocky Mountain House Treasury Branch, and he said no, that has been hashed over enough."

The terms of reference of the 1955 Royal Commission referred to above, embraced many aspects of government administration, but did not include the Rocky Mountain House Treasury Branch lease.

The propriety of the original lease, its renewal and the 1942 three-year lease, does not come within the purview of this inquiry, since Mr. Hooke at that time was a private member of the Legislative Assembly.

All the evidence with respect to this matter, other than the evidence of Mr. Hooke and E. E. Wilson, Property Administrator for the Department of Public Works, comprises memoranda and correspondence from government files, written by officials no longer available to give evidence and substantiate their contents. Wilson, who produced the government files containing these documents, had no personal knowledge as to their contents. Mr. Hooke's evidence was based on recollection of events which occurred twenty to twenty-seven years ago.

All of the evidence adduced in this matter is not persuasive that Mr. Hooke used or attempted to use his office as a member of the Executive Council for the personal gain of himself or his wife.



## 2. SHERWOOD PARK DEVELOPMENT

Sherwood Park (also referred to as "Campbelltown" and "Campbellton"), is a dormitory type of development predominantly residential with some commercial devoted to providing goods and services to the people living there. It comprises all of Section 27, Township 52, Range 23, West of the 4th Meridian, and other lands, and is situated four miles east of Edmonton city limits in the County of Strathcona.

There were four phases in the development of Sherwood Park in which Mr. Hooke could have improperly used his position as Minister of the Crown:

(1) The acquisition by him of ownership of the S.W. $\frac{1}{4}$  of Section 27.

(2) The approval of the development in principle by the Edmonton District Planning Commission.

(3) The withdrawal of the Municipal District of Strathcona from the Commission.

(4) The approval of various outline and subdivision plans after the withdrawal of Strathcona from the Commission.

John H. Campbell, a man of advanced age, who gave his occupation over the years as farming, management of property, operating a garage, contracting, building houses and planning, and who was a business associate of Mr. Hooke's in a small company, Ideal Homes Ltd. (a company whose activities are considered further on in this report), was

closely identified with Sherwood Park development.

The first question to be considered with respect to this development is whether Mr. Hooke made use of official information available to him as Minister of Economic Affairs and not available to the public, to acquire ownership of the S.W. $\frac{1}{4}$  of Section 27 for the purpose of benefiting himself and/or his associate Campbell.

(1) Acquisition of the S.W.  $\frac{1}{4}$  of Section 27.

The following sequence of events is relevant:

On the 8th of September 1951, P. S. Kaplain signed a transfer of the S.W. $\frac{1}{4}$  of Section 27, Township 52, Range 23, West of the 4th Meridian to Weber Bros. Agencies Ltd. for a consideration of \$42,500.00. Title was registered in the name of Weber Bros. on the 12th day of September 1951.

On the 25th day of September, Mr. Hooke registered a caveat against these lands, in which he claimed an interest as equitable owner on the basis that the registered owner Weber Bros. had purchased the lands as his agents.

On the 22nd of October, Mr. Hooke entered into an agreement for sale as purchaser of this quarter section from Weber Bros. for a consideration of \$50,000.00, payable \$2,500.00 in cash, \$15,053.33 by the transfer to Weber Bros. from Mr. Hooke of a property in Edmonton at a value

of \$20,500.00, less a balance of \$5,446.67 owing as of that date on a mortgage registered against the property, and the balance payable over a period of seven years.

On the 22nd day of October, Mr. Hooke registered a caveat against the property in which he claimed an interest as purchaser under the foregoing agreement for sale.

On the 2nd of September 1955, title to the lands was transferred by Weber Bros. to Mr. Hooke.

Kaplain, a realtor in the City of Edmonton, formerly a farmer and car dealer, gave evidence to the effect that he had put his farm up for sale and had advertised it in the Edmonton Journal prior to Mr. Hooke approaching him late in August 1951; that in the summer of 1951 he had told an acquaintance by the name of Whitla, that the farm was for sale. He stated that he showed Hooke through the farm and suggested to him that he would like to sell it as a going concern. Mr. Hooke, he said, had informed him that even though he would have loved to buy it he had absolutely no money. Kaplain suggested he go and see Weber Bros. He stated Hooke returned several times and the next thing he knew, L. A. Weber approached him to buy it. He understood that Weber was going to try to negotiate a deal for Hooke who wanted the farm badly. He agreed to sell the farm for \$42,500.00.



He stated that after he had signed the transfer on the 8th December 1951, Mr. and Mrs. Hooke came out for a second or third time together and went through the house and that sometime after the transfer had been signed and before he gave up possession of the quarter section, Campbell came out and Mr. Hooke appears to have been with him. On that occasion a discussion took place, he said, about "a satellite town or something like that" in the general area. He was not clear whether this discussion related specifically to his quarter section. His evidence with respect to this aspect of the transaction as well as other aspects was at times both contradictory and vague, making it difficult to draw any conclusions with reasonable certainty.

Johnstone A. Weber, Managing Director of Weber Bros. Agencies Ltd., stated that negotiations with Kaplain for purchase of the S.W. $\frac{1}{4}$  of Section 27 were effected by his father, L.A. Weber, who died in 1953. He stated that Weber Bros. disputed the caveat of September 25th filed by Mr. Hooke in which he claimed an interest in the S.W. $\frac{1}{4}$  of Section 27 as an equitable owner. He stated that the fact that Hooke was a Cabinet Minister did not enter into the transaction at all.

In a letter from Weber Bros. to Mr. Hooke dated 4th September 1951, it was pointed out that Kaplain would sell for \$42,500.00 net to him; that the whole show was cheap at this price; that the place must be sold that week and suggesting that it would be a profitable deal for Mr. Hooke, asking him to let them know his decision, if possible, by next day at noon.

In a letter to L. A. Weber dated 17th September 1951, Hooke offered to purchase the Kaplain farm on the basis of an equity in his house on 113th Avenue in Edmonton being recognized as a \$20,000.00 down payment and the balance of purchase price (not specified) to be paid at \$5,000.00 per year. Attached to this letter is a six page memo outlining the history of the transaction. The memo indicates that Hooke learned of the Kaplain farm being for sale from a W. Whitla; that Hooke was in need of financial assistance and approached Weber Bros. and discussed the problem with Mr. Weber Sr.; that on the 7th of September Weber informed him by telephone that he now had a farm; that he had bought it for \$42,500.00; that in a later telephone conversation with Mr. Weber Sr., instead of being given assurance that the farm was his, he was led to believe that he had first choice and was referred to Jack Weber.

Mr. Hooke, in relating the circumstances under which he purchased this land, stated that he had always

been interested in farming; and after moving to Edmonton in 1941 he tried to secure a farm in the vicinity of the city, close enough that he could live there, farm it, and at the same time commute back and forth to his office. He answered quite a number of advertisements at one time or another, and three or four real estate men were aware of the fact that he was on the market for a farm of that nature. He had been shown several farms by different real estate men, but none had met his requirements.

He testified that he received a phone call, in the summer of 1951, from a man by the name of William Whitla, who operated a real estate agency, who told him about a farm that was for sale east of Edmonton, in the Salisbury area. On a second call, he said Whitla persuaded him to drive out on a Sunday early in August 1951 and look the place over. This proved to be the S.W. $\frac{1}{4}$  of Section 27. He stated that on the occasion of this visit to the farm Kaplain was not there; that this was the only time he saw the place until after the transaction had been consummated.

He stated that he made it plain to Whitla that the only possible way in which he could purchase the farm was by the disposal of his home in the city, in which he had approximately a \$20,000.00 equity; that after inquiries with respect to financing he contacted Mr. Weber Sr. of Weber Bros.



He gave as a reason for having the caveat filed on the 25th of September 1951, his having been advised to do so by Kaplain's solicitor, Mr. Horace Johnson (now Mr. Justice Johnson), when Weber appeared to have changed his mind concerning finishing the transaction. He said it was about this time that he was invited by Kaplain to see the farm. He went into possession on the 10th of November 1951.

He considered Weber Bros. had acted throughout the transaction as his agents.

Ervin Coombs, a farmer living at Rocky Rapids, the first witness in this inquiry, gave evidence to the effect that he first met Mr. Hooke in 1954 (but other evidence referred to below indicates that the actual year was 1951), when Mr. Hooke came to his place at Rocky Rapids where he was doing planing, re-sawing and selling lumber. Mr. Hooke, he said, was accompanied by a Mr. Spady and a John Campbell. He said they told him they had construction work going on under the name of Ideal Homes, and wanted to know if he could supply them with lumber. He stated that he sent a few loads of lumber to them for homes being constructed in the city; that shortly after he was asked if he could supply a great quantity of lumber. He was told that Campbell had gone to the United States and had received purchase orders for supplying lumber for a celanese plant that was to be built down the

river from Edmonton; and he was offered the privilege of buying lots near the celanese plant where they were going to construct a Campbelltown. He said he was told by Mr. Hooke and Campbell that Mr. Hooke had inside information concerning this factory. About two weeks later he said a news item appeared in the Edmonton Journal stating that a celanese plant was going to be built downriver from Edmonton.

Coombs was quite confused in his evidence as to when he first met Mr. Hooke and his testimony in general was unreliable. He believed it to be in 1954, but was uncertain of the date. Documentary evidence, to be referred to later, establishes that Ideal Homes was incorporated on the 17th of June 1950; that Campbell became a shareholder on the 31st of July 1951; that lumber sales were made by Coombs to Ideal Homes in July and August 1951. Mr. Hooke, in his evidence, stated that he had never been to Rocky Rapids.

Richard Martland, Deputy Minister of the Department of Industry and Development, who in 1951 held the position of Director of Industrial Development and Economic Research, gave evidence to the effect that the proposed location of the celanese plant in Edmonton had been announced in the Wall Street Journal on the 8th of February 1951; that actual construction of the plant began in June 1951. T.L.H. McCoy stated that he operated a bulldozer for Brown and

Root in the construction of the celanese plant about the middle of May 1951. At this time he said they were taking test holes in the soil; excavation was started in the latter part of the month.

A news item on the front page of the Edmonton Journal published on the 9th of February 1951, reported that Celanese Corporation of America had increased option holdings in Clover Bar for the site of a chemical plant.

Martland's and McCoy's evidence, and the news item appearing in the Edmonton Journal referred to above, establish that the location of the celanese plant was public knowledge, and actual construction of the plant had been commenced before Mr. Hooke took the first steps leading up to the acquisition of these lands. These facts refute the suggestion that Mr. Hooke made use of confidential information available to him in his capacity as Minister of Economic Affairs to acquire the S.W. $\frac{1}{4}$  of Section 27 for the purpose of building a townsite near the proposed celanese plant.

When asked on examination in chief the purpose for which he bought this quarter section, Mr. Hooke replied that he bought it entirely with the intention of farming it. This answer was followed by the question, "And no other interest or expectation at that time?" to which he replied, "No, none whatever". When asked how it came about that he agreed to part with the great bulk of



it, he replied that his immediate neighbours were doing so, and he believed that he could get along with the quarter section one and a half miles distant, which had been offered to him by Louis Kutt. The evidence establishes that he stocked the farm with dairy and dry cattle, hogs and a team of horses and continued dairy farm operations until the fall of 1953.

The acceptable evidence is to the effect that Mr. Hooke purchased this land primarily for a home and farming operations. He could not help but be aware, however, that it might at some future time, by reason of its location, be suitable for urban development, indeed, this was in Kaplan's mind when he originally bought it.

The question then arises as to whether he used his office to further urban development in that direction. This matter will be considered next.

(2) Approval of the development in principle by the Edmonton District Planning Commission.

The Edmonton District Planning Commission, herein-after referred to as "the Commission", was the first such planning commission to be set up in 1950, pursuant to the provisions of The Town Planning Act, R.S.A. 1942, Chapter 169, as amended by 1950 Statutes of Alberta, Chapter 71. Its membership comprised a representative of each of the municipalities in the area comprising the district, and three members representing the province, appointed by the



Provincial Planning Advisory Board, one each representing the departments directly interested in planning, namely, Highways, Education and Public Works.

Following is the chronological sequence of events leading up to the approval in principle by the Commission of the Sherwood Park development.

The development of the whole of Section 27 was initiated by a letter from John Campbell to the Council of the Municipal District of Strathcona (hereinafter referred to as "Strathcona"), dated the 9th of November 1951, in which, on behalf of himself and his associates, he requested approval of a proposed townsite project comprising the whole of Section 27, except the southwesterly forty acres of the southwest quarter. After consideration of the request at a meeting of the Municipal Council on the 21st of November, it was approved in principle and Campbell's letter and a sketch plan were forwarded to the Edmonton District Planning Commission on the 23rd of November. A special committee was appointed by the Commission to consider the proposed development.

On the 5th of December 1951, the special committee met and considered an analytical report which it had ordered to be prepared by L. Plotkin, a planning technician on the Commission's staff. The report noted that while the proposed development offered great initial advantages in achieving its stated purpose (the housing of oil and chemical

industry workers), when compared to alternative areas it showed many clear disadvantages which were enumerated. The report advocated the development of a true satellite town. An attached map showing land ownership, showed Weber Bros. Agencies Ltd. as owners of the S.W. $\frac{1}{4}$  of Section 27. The committee decided that a copy of the report should be sent to Campbell in order that he might discuss its implications and recommendations with his associates. It was agreed that the chairman discuss alternative locations for the proposed development with Mr. Campbell.

On the 27th of December 1951, a seventeen-page critique of the Plotkin report was addressed to J. H. Holloway, Chairman of the Commission, by the Council of Strathcona.

On the 5th of January 1952, the special committee was reconstituted by the Commission for the purpose of reconsidering the municipal implications of the proposed townsite development. At this meeting Holloway as Chairman, reported with respect to the proposed satellite development in Section 27, that "the Minister of Economic Affairs had promised his co-operation and expressed his intention to keep the committee advised of any further developments in connection with the project as they might arise . . .". On the 15th of January the special committee met and in its report on this meeting, after considering

in detail three major aspects, namely the relationship of the townsite to industry development, the proposed water supply system and the status of the townsite, states "the Committee was in unanimous agreement that there is a clear need for some form of urban development between Fort Saskatchewan and the City of Edmonton". The concluding opinion of the committee was that Campbell and his backers be contacted with a view to having them participate in locating a townsite elsewhere in the general area.

On the 16th of January 1952, the report of the special committee was considered by the Commission. A motion was passed directing the technical staff of the Commission to bring in a general report on the problem embracing general principles of satellite growth, proposed selected sites of satellite towns, and suggested tentative legislation to make such satellite towns a reality.

On the 17th of January 1952 a letter was sent from Holloway as chairman of the Commission to Mr. Campbell advising him that the Commission could not see its way clear to approve the project in the location proposed.

On the 17th of July 1952, a letter was written by the Secretary-Treasurer of the Commission to the Secretary-Treasurer of the Municipal District of Strathcona, suggesting that the Municipal District recommend to Mr. Campbell that he apply to the Director of Town Planning to have his proposals brought before that body for consideration, a



copy of which was sent to Mr. Lash, the Director of Town and Rural Planning, and to Campbell.

On the 4th of April 1953, Mr. Hooke granted an option to Campbell to purchase 140 acres of the S.W.  $\frac{1}{4}$  of Section 27 (retaining for himself the southwest forty acres). This option was extended to the 1st of June 1954, and then having lapsed, a new option was granted on the 20th of April 1955.

The next recorded occasion on which the Commission dealt with the matter of this development, was at a meeting of the Executive Committee on the 24th of July 1953, the Minutes of which indicate that the Director explained that a request had been received from Strathcona for the assistance of the technical staff in drawing up a plan for the proposed townsite. He read a letter from the Municipality which stated in part:

"The proposed townsite in Section 27-52-23-W.4 will definitely be developed and you are requested to proceed with the work of planning the town."

The Minutes show that N. Dant, representative for the City of Edmonton, pointed out that if the Commission should agree to assign this type of work to the staff, it would indicate that the Commission approved of the project, when in fact no decision had yet been reached. The representative from Strathcona then called attention to a letter



to the Municipality, written by Holloway on the 3rd of July 1952 (hereinafter referred to as "the Holloway report"), which said in part:

"After examining Section 27 and other land in that general vicinity and studying its relationship to the existing industries south-east of the city, as well as to the potential industrial area between the C.P.R. Willingdon line and the new C.N.R. line, Messrs. Campbell, Plotkin, Makale and I came to the conclusion that Section 27 would be as suitable a location for the townsite as any other that might be available, provided that strict measures are taken by the council to preserve the agricultural character of the area surrounding it.

. . . . .

"In my opinion, the proposed development of a townsite in Section 27 would be feasible, economical and consistent with the Commission's planning policy, provided that the two related problems of water supply and zoning control in the surrounding area are appropriately dealt with at the same time and in conjunction with it. This might preferably be done by treating the three features - townsite, water supply and zoning control - together with such other allied matters as access road improvements, in the unified form of an official scheme, appropriately planned and duly approved under the provisions of Sections 12 to 21 of The Town and Rural Planning Act."

The letter is signed by J. H. Holloway in his capacity as a member of the Commission.

The Minutes state that this letter had been taken by Strathcona as being the decision of the Commission. The committee recommended that Holloway's letter on the proposed townsite be brought before the Commission at its next meeting.

On the 5th of August 1953, at a meeting of the Commission, the report of the Executive Committee meeting of the 24th of July was considered. Notice of a motion to be presented at the next regular meeting of the Commission was given by C. W. Moyer (representing Strathcona). The proposed motion provided "that the development proposed for Section 27-52-23 West of the 4th, and vicinity by Mr. Campbell be approved by the Commission".

On the 31st of August a formal application on behalf of J. H. Campbell for the Commission's approval of the proposed townsite in Section 27 was forwarded to the Secretary-Treasurer of the Commission in a letter from Holloway, who likewise signed the formal application in his capacity as an Alberta Land Surveyor. The letter contains two paragraphs which read:

"I am forwarding herewith a formal application on behalf of Mr. J. H. Campbell for the Commission's approval of his proposed townsite in Section 27-52-23-4. A tentative plan in triplicate is being sent under separate cover.

"I have undertaken to do this work for Mr. Campbell because I feel partly to blame for the fact that he and the municipality made certain commitments and proceeded with various negotiations in connection with this proposal on the strength of the report which I made to the municipality last year, not knowing that the report had not been submitted to the Commission, and Mr. Campbell is now anxious that a formal application based on a definite plan be submitted to the Commission without further delay."

The next regular meeting of the Commission was held on September the 9th. At this meeting the motion, notice of which had been given by Moyer at the August 5th meeting, was considered. The Minutes of this meeting state that it was pointed out by Moyer that this motion did not contain exactly what he had intended by his notice of motion, which should have included the acceptance by the Commission of the Holloway report. The Chairman, A. Sautart, ruled, with the concurrence of the meeting, that the motion included acceptance of the Holloway report.

The Minutes indicate that the motion was discussed at considerable length with Moyer, Holloway and others supporting it, and Gertler, representing the technical staff, Miller representing the City of Edmonton, and others, opposing it. Campbell was present at the meeting and was questioned by different members of the Commission. Parker, Reeve of Strathcona, asked for and was granted permission to speak. The Minutes record that he stated the reasons why the Municipality felt the development should be approved. In a secret ballot the motion was carried by a recorded vote of nine to six.

At a special meeting of the Commission on the 2nd of December 1953, a motion initiated by the Towns of Beverly and Jasper Place, to have the decision of the 9th of September reconsidered, was defeated by a vote of

eight to seven. Holloway voted against the motion.

At a meeting of the Commission on the 3rd of February 1954, a motion was passed accepting the layout of the subdivision and the sketch of the neighborhood unit as proposed and displayed by the technical staff.

On the 13th of August 1954, a meeting of the Executive Committee considered a request from Campbell for the previous approval of his proposed plan to be rescinded and a new plan approved. The committee was informed in a letter from the Municipal District of Strathcona that the new plan which related to Sections 22 and 23, as well as Section 27, had been approved by the Council at a special meeting on the 9th of August 1954. Attention was drawn to the fact that the new plan did not provide for lanes and storm sewers. A motion was passed that the Director be asked to confer with the Provincial Planning Advisory Board concerning points where the plan did not conform with the subdivision regulations and to report back at a special meeting to be called as soon as possible for that purpose.

On the same date (August 13th) Council of the Municipal District of Strathcona, at a special meeting, unanimously passed a resolution providing that immediate steps be taken to have the Municipal District withdraw from the Commission.



On the 16th of August an Order-in-Council was passed providing for the necessary amendment to the district planning area by withdrawing land included in the Municipal District of Strathcona and for the withdrawal of the Municipal District as a member of the Commission.

On the 24th August a special meeting of the Commission was held to discuss the new plans for the development submitted by Campbell and considered by the Executive Committee at its meeting on the 13th of August.

The Commission was informed of the Order-in-Council authorizing withdrawal of the Municipal District of Strathcona from the Commission. It was pointed out that approval of the new subdivision plan was now a matter for the Provincial Planning Advisory Board (hereinafter called "the Board"). A motion was passed that the report of the Executive Committee meeting of the 13th of August be received and filed.

Turning now to the oral evidence given with respect to this phase of the development:

Frank Smeltzer, a farmer, husband of Agnes Simpson Smeltzer who was registered as owner of the N.E. $\frac{1}{4}$  of Section 28 and the N. $\frac{1}{2}$  of Section 27, stated that he was approached in late 1950 or early 1951 by Campbell who stated he was interested in finding a suitable location for a housing development. He informed Campbell that he

was not particularly interested in selling his land at that time. He said that Campbell next spoke to him about the matter in November or December 1952 when he made an inquiry about obtaining an option to purchase the lands, but Smeltzer said he was still not particularly interested. He stated that Mr. Hooke had never, up to this point, spoken to him about selling his land and that he had no dealings with him about this land. Campbell visited him a number of times after this, and finally, by agreement dated the 31st of March 1953, Agnes Simpson Smeltzer granted an option to Campbell to purchase the NE. $\frac{1}{4}$  of Section 28 and the N. $\frac{1}{2}$  of Section 27, for \$250.00 per acre, which option was open for acceptance to the 10th of April 1954. This option was extended to the 1st of June 1954, and further extended to the 1st of September 1954, the price per acre being increased to \$300.00, the option not having been exercised within the prescribed periods. The foregoing options having expired without being exercised, a new option was granted to Cam-Del Co. Ltd., a company formed by Campbell, by agreement dated the 16th of April 1955, open for acceptance to the 31st of March 1956, in which the price for the first sixty acres purchased was increased to \$500.00 per acre. This option was assigned by Cam-Del in June 1955, to A. L. Trowbridge. All of these lands, other than some six acres retained by Mrs. Smeltzer, were transferred pursuant to the option

from time to time as various subdivision plans were registered, to a company or companies formed by Trowbridge for the purpose of development.

Smeltzer stated that Campbell never indicated to him that he had influence in the Provincial Government through the person of Mr. Hooke; that he had no knowledge of the letter written by Campbell to Strathcona on 9th November 1951.

The name of J. H. Holloway, a civil servant, is closely identified with this development from the time of its first tangible conception in 1951 until the withdrawal of Strathcona from the Commission in 1954.

Mr. Holloway holds Bachelor's and Master's degrees in Civil Engineering, and is a Dominion Land Surveyor (D.L.S.) and an Alberta Land Surveyor (A.L.S.). During his thirty-five years of service as a civil servant he filled many diverse positions, many of them concurrently, among them the following:

1947 to 1951	-	Director of Surveys Director of Town Planning Chairman Provincial Parks Board
1950 to 1956	-	Provincial Boundary Commissioner
1951 to 1953	-	Chairman Edmonton District Planning Commission
1953 to 1956	-	Member of Commission
1956 to 1963	-	Chairman Provincial Planning Board
1948 to 1958	-	Chairman Civil Service Commission

1951 to 1953 - Assistant Clerk, Legislative Assembly

1959 to 1965 - Public Service Commissioner

He first became involved in this development project in about May 1951 when he said he was approached, at his home, by Mr. Hooke, John Campbell and a Mr. Spady, Mr. Hooke's brother-in-law. He stated he was asked for advice about a townsite which Mr. Campbell was proposing to establish on land north of the Imperial Oil refineries on the other side of the Saskatchewan River from where the celanese plant was either being built or was built. He said that he discouraged them because the location was poor; it was too close to the city, access to it was poor, and the land involved was of insufficient size. This particular site was some five or six miles distant from where Sherwood Park is now.

He said that he next heard from Mr. Hooke and Campbell in September or October 1951, when they stated that their problem was to find a suitable location for development. On this occasion, he stated Campbell suggested Mr. Hooke's farm as being suitable, but Mr. Hooke replied that he was not interested in making his farm available for that purpose. Holloway testified that he pointed out that this land had good possibilities, being high and dry, had good road access and was not particularly good farming land, but was still too close to the



city to become a truly satellite town. He assisted Campbell in preparing a sketch plan of a townsite development, involving Section 27, and by assisting in the preparation of the written proposal of November 9th, 1951, which was first submitted by Campbell to the Municipal District of Strathcona, and then in turn considered by a special committee of the Commission on the 5th of December 1951, and subsequently by the Commission itself on the 5th of January 1952, at both of which meetings Holloway was chairman. In addition he was chairman of the reconstituted special committee which met on the 15th of January 1952, which advocated the development of a true satellite town, and directed the chairman (Holloway) to discuss with Campbell alternative locations.

Holloway signed the formal application dated 31st August 1953 on behalf of Campbell, for the Commission's approval of the proposed townsite in Section 27, prepared a tentative plan of the proposed townsite and wrote the letter accompanying the application, using official letterhead of the Civil Service Commission, of which he was then Chairman. At the time this letter was written he was a member, but no longer chairman of the Edmonton District Planning Commission.

On being asked how it came about that he assisted Campbell in the preparation of the initial proposal, the sketch and in sending the form of application for submission

to the Municipal District of Strathcona, with respect to the proposed development of Section 27, he replied:

"Well, by that time I had got to know Mr. Campbell pretty well, and was more or less friendly with him. It was a fairly awkward sort of an undertaking because it involved certainly some careful subdivision design; and there was no one else around at that time who was also a land surveyor, who Mr. Campbell thought was capable of doing a sufficiently good job on the design. Technically an Alberta land surveyor has to sign a plan of that sort . . . And there were very few Alberta land surveyors around . . . they were all busy surveying pipelines and oil wells, and I don't know whether Mr. Campbell had contacted any of them, but anyway he came to me and asked me to do it."

He gave as another reason for assisting with the application:

"One and not necessarily the most significant one was very likely the fact that Mr. Hooke owned some of the land involved and another one was that by the time I had got to know Mr. Campbell quite well and was quite friendly with him."

He stated that there was no mention of any fee by way of compensation at any time, and that none was received.

On being asked at whose request he had written the Holloway report, he replied that he could not recall who instigated it, whether it was the staff, the Municipality, or a committee of the Commission, or any of them. When it was suggested that it was Mr. Campbell, he replied

"No, I don't think so. I don't think that". There is no evidence that Mr. Hooke prompted him to write this letter.

He stated that he did not think much of the project from the planning standpoint. When asked on cross-examination why then he assisted in the application, he replied "because I think any man who has an option on land which he proposes to develop is entitled at least to make an application to the proper authorities". He stated that when he assisted with the application he was aware, on information received from Campbell, of Mr. Hooke's ownership of the S.W. $\frac{1}{4}$  of Section 27, but he was not aware that Mr. Hooke was associated with Campbell other than in the same sense as Smeltzer and Hunter, the owners of the adjoining lands. He stated that he made it plain to Campbell, and he thought also to Mr. Hooke, that he was willing to prepare the application for them, but that did not necessarily mean that he was going to support it or vote for it. That understanding, he added, was quite satisfactory to them.

Holloway produced a pocket diary in which an entry appeared, dated 8th December 1951, and noting that he had received a phone call from Campbell to the effect that he had arranged to acquire one hundred and twenty acres of Mr. Hooke's. He later stated that at the time he prepared the plans for formation of the application to the Commission, he understood that Campbell had made satisfactory

arrangements with Mr. Hooke for an option on one hundred and twenty acres of his quarter section. The nature of this arrangement was not made clear, but it appears from evidence referred to above, that no binding arrangement was made until 1953.

During the course of his cross-examination by various counsel, Holloway's relationship with Mr. Hooke with respect to the proposed development was exhaustively explored. The difficulty in determining the exact relationship between Holloway and Mr. Hooke is illustrated by the following questions and answers in the course of the cross-examination of Holloway by different counsel:

Q. Weren't you trying to curry favour with Mr. Hooke?

A. Oh, no; I never try to curry favour with anybody.

Q. . . . if he wanted something, you would do it; correct?

A. If he wanted something that I could do, and that was not, as far as I know, illegal, I would help - endeavour to help him out.

Q. Such as helping Mr. Campbell with the letter of November 9th?

A. Well, if you want to use that as an example, okay.

Q. And such as drawing the first plan?

A. Yes.



- Q. And you were on intimate terms with him?
- A. No, not at all.
- Q. Did you and Mr. Hooke discuss the matter of the District Planning Commission being difficult about the Sherwood Park townsite?
- A. We may have, but I don't remember specifically any discussion of that nature.
- Q. And did Mr. Hooke discuss it (the Campbelltown project) in his capacity as a Minister of the Crown, or as owner of the land?
- A. As owner of the land.
- Q. . . . at all times you were trying to help Mr. Hooke?
- A. Yes, I suppose I was.
- Q. And if Mr. Hooke suggested something you, as a friend, and also as a civil servant, would endeavour to carry it out?
- A. Yes, so long as I was reasonably capable of doing so.
- Q. Whether you were or you weren't you would try?
- A. Yes.
- Q. And through all the dealings with Sherwood Park you knew that Mr. Hooke was personally interested in the land?
- A. Yes, I knew he owned the quarter section.
- Q. And you knew that if there was a profit to be made he personally would make the profit?
- A. Well, I knew that he was going to sell the land to Mr. Campbell and that he would probably make a profit on that sale.
- Q. Did you know he had continued to have an interest in it as it developed?
- A. No, I didn't. I thought he was selling outright to Mr. Campbell and that Mr. Campbell was endeavouring to sell or interest a financial backer in the townsite project.

Q. Were you afraid of Mr. Hooke?

A. No.

Q. You were a friend of his?

A. Yes.

Q. And you wanted to please him?

A. Yes.

Q. Now, you have told us too that Mr. Hooke indicated whether, how expressly it is hard to say, indicated you should do what you could for Mr. Campbell?

A. Yes. I don't think he ever asked me in any expressed fashion. It was sort of understood without being said.

Q. A wink to a wiseman is as good as a nod, isn't it?

A. That's right.

Q. And you discussed the matter from time to time with him along, I am sure, with lots of other business?

A. Yes.

Q. And these discussions would sometimes take place in his office or your office?

A. That's right.

Q. And Mr. Hooke kept pretty good tabs at all times on the progress of this somewhat erratic progress of the subdivision plan?

A. Yes.

Q. Did Mr. Hooke ever pressure you to give your approval to the proposal involving the town-site with his land in it?

A. No, in no way at all.

Q. Did he ever ask you to support the proposal?

A. No.

Q. Did he ever suggest to you that he would appreciate your support of this proposal?

A. No, not in so many words.

Q. Were you ever pressured by anyone else to support the proposal of Mr. Hooke?

A. No.

Q. So you acted on the assumption that Mr. Hooke wanted this deal put through when you prepared the plans for Mr. Campbell?

A. Yes, I guess I did. I didn't really analyze it.

Q. You did not bother asking Mr. Hooke about it?

A. No, no, I did not.

Q. . . . did you discuss with Mr. Hooke at all the preparation of the subdivision that you made for Mr. Campbell?

A. No, I don't recall any discussion with Mr. Hooke on that.

Q. Did you ask Mr. Hooke's approval if you could make this application on behalf of Mr. Campbell?

A. No. It was done in my own time, so I didn't think it was necessary to ask anyone's permission.

Q. Finally, then, Mr. Holloway, one of the reasons why you submitted an application for Mr. Campbell, accompanied by a plan that you prepared, to the Regional Planning Commission was because Mr. Hooke's land was involved. Do you remember saying that?

A. That's one of the reasons, yes.

Q. And was one of the reasons why you were a supporter the fact that some of the land was Mr. Hooke's?

A. Yes, I think - I think that is one of the reasons.

Campbell testified that he had been a member of the Social Credit Party for over twenty years and had assisted with registrations at Social Credit conventions and had helped at election time in the constituency in which he lived. He stated that he had never called upon Hooke in his office or home with respect to political affairs. Much of Campbell's evidence was evasive, vague and ambiguous. There were many instances of complete inability to recall. While this could have been partly attributable to genuine lapse of memory due to the intervening years, extending up to sixteen, and to his age, there were many instances where his inability to recall was not convincing. On consideration of the whole of his evidence I am unable to attach much weight to it.

He testified that in late 1949 and early 1950, it became apparent to him that with the possibility of future development in the industrial role in the Edmonton area and from conversations and communications with Sherritt Gordon, there was going to be a need for additional housing in one form or another. He stated that he tentatively had in mind a townsite to serve employees of Sherritt Gordon and the chemical plant in the area between the site of Canadian Celanese and Fort Saskatchewan, an area extending a distance of about twelve miles.



He said that he had made inquiries of Government Branches, first contacting N. E. Tanner, then Minister of Lands and Mines, who sent him to Mr. Maynard, the Attorney General, who in turn sent him to the Minister of Economic Affairs and Economic Development, then Mr. Hooke; that Mr. Hooke called in Ralph Moore, his deputy, and turned Campbell over to him. Mr. Moore brought in Mr. Martland. He stated that Mr. Hooke and Moore suggested that he contact Holloway as the only man who had ever drawn a townsite plan and who was quite familiar with all the good points and all the bad points in town planning regarding a townsite. He stated that this was the first occasion on which he met Mr. Hooke.

He could not recall the first meeting with Holloway as the latter related it. He said that he did not know then that Holloway was the Chairman of the Edmonton District Planning Commission. Nor could he recall tramping over the S.W. $\frac{1}{4}$  of Section 27 with Mr. Hooke and Holloway.

He stated that Holloway helped him in his selection of Section 27 in his opinion for and against; and helped him very much all the way through but received no compensation for his services.

He stated that prior to November 1951, he had no discussion with Hooke about the location of the townsite and that at that time he held no option for any part of

Section 27; that he first saw Mr. Hooke with a view to seriously acquiring an interest in Section 27 shortly before obtaining an option from him on the 4th of April 1953. Mr. Hooke, he said, did not want to sell or option the land. The option was the whole transaction with Mr. Hooke and there were no side deals by which Mr. Hooke would help him in some way. At no time between November 1951 and June 1955 had he called on Hooke to assist him or to have his development plans finalized in any way; nor did he ask Mr. Hooke to use his influence on the Commission or on the Provincial Planning Appeal Board in order to have any of his plans approved.

He denied lobbying with members of the Edmonton District Planning Commission between the 5th of August 1953 and the 9th of September 1953. There is no evidence to the effect that he did so.

Evidence was given by N. B. Dant, Provincial Planning Director since 1960, formerly Town Planner for the City of Edmonton, and who as such represented the city as a member of the Commission from 1949 until July 1954. His evidence with respect to planning procedure was most helpful.

On the 4th of August 1953, he wrote to the Secretary-Treasurer of the Commission, and registered "emphatic refusal" of the proposed development "in its presently proposed location". He stated that he never had

any discussions with Mr. Hooke about the location of Sherwood Park development and did not know of any relationship between Mr. Hooke and Campbell. When asked what attitude Holloway took at the Commission meetings when the proposed subdivision was discussed while Holloway was Chairman, he replied "I think he had an open mind at the time . . . I think he voted with the rest that we needed some more study of this thing". When asked if any person ever said to him, in respect to Campbelltown, "the Minister (Mr. Hooke) wanted this through", he replied "No, never . . . I don't ever remember anybody trying to influence me or my thinking on this thing . . . nobody attempted to influence . . . my vote on the Commission when I was there . . .". He said he did not become aware that Holloway had forwarded Campbell's first application to the Commission until this inquiry.

Leonard O. Gertler, presently a Professor of Planning and Director of the Planning Resources Institute at the University of Waterloo, Ontario, having a post-graduate diploma in planning from McGill University, who in 1951 was senior planning technician for the Edmonton District Planning Commission, and in 1952 Director of the Technical Planning staff, was called as a witness.

He testified that day to day functions of the technical branch were consideration of subdivision applications by virtue of authority delegated from the provincial

level. Its long term duties involved basic study of the region with a view to preparing a long range plan for the Edmonton district.

Between the period November 1951 to August 1953, the technical staff and the Commission considered a proposal for the development of Section 27. He collaborated in the preparation of the Plotkin report. At the meeting of the Commission on the 9th of September 1953, he presented planning arguments in opposition to the proposed development. Among his objections were:

A four mile sewer outfall to the river, necessitating water supply from Cooking Lake, ten miles to the east, or a pipeline from the City of Edmonton; that it was not sound economically from a regional point of view to provide housing initially for a few thousand people; that it would precipitate a spreading development out from Edmonton rather than a satellite development.

The decision of the committee on the 9th of September 1953, he said, amounted to approval in principle of the location of a townsite on Section 27.

During the period 9th of September 1953 and 3rd of February 1954, he and his staff carried on discussions with Campbell and with Strathcona. Although Hooke's name was never mentioned in any discussions with Campbell, he knew from the date of the initial proposal that Mr. Hooke owned the S.W. $\frac{1}{4}$  of Section 27. He never, at any time, had any discussion with respect to this matter with Mr. Hooke.



On the 3rd of February 1954, he presented two proposals to the Commission, one, to establish an effective green belt between Edmonton and the proposed townsite, the second, a general plan for the town's development, embracing Section 27 and the S. $\frac{1}{2}$  of Section 34, and a detailed layout for the first neighbourhood unit, embracing part of the S.W. $\frac{1}{4}$  of Section 27. Both these proposals, he said, were accepted by the Commission. Specific subdivision layout having been accepted, it could become the basis of a formal application by the developer for approval of a subdivision plan.

On the 9th of August, Campbell asked him to approve, on behalf of the Commission, final plans of a subdivision plan for part of the S.W. $\frac{1}{4}$  of Section 27. Since these plans were at variance with the detailed outline plan for part of Section 27, which had been approved on the 3rd of February, he did not approve them. He informed Campbell of his scheduled meeting with the Executive Committee of the Commission on August 13th. During the interval, he held frequent meetings with Campbell with a view to resolving the difficulties of the new application.

At the Executive Committee meeting on the 13th of August, he presented a critique of the application and made suggestions for revisions which would have brought it more in line with the Commission's originally approved plan and in accord with subdivision regulations then in effect.

He was instructed by the Executive Committee to check with the Provincial Planning Advisory Board concerning the non-conformance to subdivision regulations to obtain instructions from the Board in this matter and to report back to the Commission on that point as well as the suggested amended plan for decision at a special meeting of the Commission which was called for the 24th of August.

On cross-examination, on being asked these questions -

- Q. Did Mr. Campbell ever say to you that Mr. Hooke wanted any specific plan signed that you had anything to do with?
- Q. Did he ever say that Mr. Hooke wanted the project to go ahead, or words to that effect?
- Q. Did Mr. Hooke on any occasion ever ask you to support the plans of Campbelltown because he had land in it?

his answer in each case was "No".

He stated that he believed that a controlling factor in the selecting of the S.W. $\frac{1}{4}$  of Section 27 for the first neighbourhood development was that this was the closest area to water supply by a pipeline from Edmonton.

When asked to comment on Holloway's conduct in making the application on the 31st of August 1953, he said it was a bit surprising, but that he was entitled, as an Alberta Land Surveyor, to make an application of that nature. The members of the Commission, he said, were aware that he had made it.

When he was asked if he found it more difficult to exercise independent judgment in this matter because a Minister of the Crown was involved, he replied that he did not take that into consideration at all; that he continued to exercise his duties as before. He stated that his leaving the Commission in 1957 had nothing to do with any unpleasantness relating to Sherwood Park.

The withdrawal of Strathcona from the Commission on the 16th of August, he said, had the effect of removing the approving authority for subdivisions from the Commission. From that date on he was not directly involved in any consideration of the proposed townsite development.

Evidence in this matter was also given by Harry Lash, now living in Montreal, who in 1951 was a planning technician in the planning branch of the Department of Public Works, under Holloway, then Director of Surveys and Town Planning. In the spring of that year the administration of town and rural planning was transferred to the Department of Municipal Affairs and he was appointed Director of Town and Rural Planning succeeding Holloway. As Director, he was ex officio a member of the Provincial Planning Appeal Board and of the Edmonton District Planning Commission, of which he was for a period of time Chairman, until some time in 1953 when he ceased to be a member of the Commission. He was a member of a special committee which met on the 5th of December 1951. He attended the



meeting of the Commission on the 5th of January 1952, and the meeting of 5th of August 1953, but not the crucial meeting of the 9th of September 1953.

Lash testified that he was opposed to the proposed development and concurred with the views expressed in Holloway's letter to Campbell dated 17th of January 1952, referred to above. He felt that the proposed development was not in accordance with the plan then being prepared by the Commission and specifically, that it did not fit in with the Commission's concept of a satellite town as a self-contained entity, having a balance of residents and industry and more distant from the City of Edmonton. He continued to hold the view throughout the time that he was a member of the Commission and, afterwards, that it was not the best location for a townsite. He stated that at some point in 1953 the staff of the Commission had arrived at the conclusion that there was going to be some kind of development in Section 27 and that it had better be planned as best it could be, rather than simply opposed. He attributed this conclusion to the fact that Campbell was continuing to press for the development and Strathcona was strongly in favour of it. He stated that he had no knowledge of the Holloway report to Strathcona of the 3rd of July 1952, and agreed with the suggestion "that this was written without the knowledge of the Board and certainly not pursuant to a Commission resolution". He agreed with



the suggestion that so far as the Commission was concerned the matter ended when Campbell was told to look elsewhere for land in a more suitable location, and that this report was not an expression of the policy of the Commission.

Lash testified that the adoption of the motion on September 9th amounted only to approval in principle that the development take place in that particular area. He pointed out that the plan, having been approved in principle, it was not necessary for the Provincial Planning Appeal Board to give approval in principle. However, with the withdrawal of Strathcona from the Commission, the subdivision plans required to give effect to this development had to be submitted to the Board for approval in the first instance.

The attitude of the Municipal District of Strathcona, subsequently a County, towards the proposed development was related by Alfred Hawkins, now Secretary-Treasurer of the County and Assistant Secretary-Treasurer prior to June 1954.

Hawkins gave evidence about the industrial development that had taken place and was taking place in the Municipal District of Strathcona in 1951 in the area between Edmonton and the S.W. $\frac{1}{4}$  of Section 27. The Imperial Oil Limited refinery was in operation; Canadian Industries Limited (C.I.L.) was in operation or nearing completion; construction on the Canadian Chemical (Celanese) plant had

commenced in May; British American Oil Company and Texaco were either under construction or plans were well advanced for construction.

He stated that the Municipal Council was strongly pushing for the proposed development because such a housing development was very important for Strathcona to counteract the argument with the City of Edmonton that since it was housing the workers of these plants, the City should be entitled to the assessment on their industrial plants.

When asked of any particular interest he might know of that Mr. Hooke might have had in the proposed development he replied that he did not even know him then and did not think that any of the Council did. He stated that Mr. Hooke had not at any stage made any representation to the Council and when asked whether he could recall any influence being brought to bear on the Council, he replied "absolutely none".

On being questioned as to his impressions of Holloway's attitude towards the project, he answered that he was not too sure, that sometimes he was of the opinion that he was not too much in favour of it. He said Holloway had never pushed it.

G. W. Moyer, former Reeve and Councillor of Strathcona for a period extending over thirty-two years, was called and gave evidence to the effect that the Council considered the Campbelltown development to be situated far

enough from the city to be a good location for a satellite town; that it was good land, good drainage, available gas, available power and water fairly close. He stated that he had never spoken to Mr. Hooke about Campbelltown and that to his knowledge no other councillor had spoken to him on this matter.

Mr. Hooke testified that he had no recollection of Campbell suggesting at any time in 1951, that his land be used as a satellite town; that he had no knowledge of Campbell's letter to the Municipal District of Strathcona until the matter was brought to his attention by the income tax people in 1959; that he was flabbergasted and just couldn't believe it, and got in touch with the Municipality to see if it was true. He was not aware that Holloway prepared the plan that accompanied the letter.

Mr. Hooke said that on his first meeting with Campbell he could not recall any discussion about the Salisbury area (Sherwood Park) and that on the occasion of the first meeting with Holloway there was no talk of a satellite town. When asked on cross-examination if he had ever asked Holloway to do anything to help him to make any specific representations to the Provincial Planning Board or the Edmonton Regional Planning Commission, with respect to Sherwood Park, he replied "No, I never did. I swear, Mr. Crawford, that the only connection ever was to introduce Mr. Campbell to him . . . I simply introduced him to Mr. Campbell,



let Mr. Campbell do his own talking."

He denied ever having met Campbell or Holloway in his office in October 1951; that he had a verbal agreement with Campbell from 1951 on. He specifically denied that he ever asked Holloway to say anything at all to the members of the Board or to take any position.

When asked on cross-examination if he had any anxiety that he would be accused of using his office to get this town where it was put, he replied "I don't think that entered my mind. After this became a known fact there was going to be a town out there I do know that I was being accused of being the real promoter of the town". He agreed with the suggestion that he was aware of the possibility that his position would affect the thinking of the people who were deciding on Campbell's application, but the evidence of those members of the Commission and of the technical staff who testified in this inquiry, does not disclose that they were in any way so affected. The role of Holloway will be considered below.

The evidence of the foregoing witnesses with respect to this phase of the development of Sherwood Park, considered in conjunction with the exhibits relevant to it, establishes:

(1) That in the spring of 1951 Campbell manifested interest in the establishment of a townsite to the east and in the vicinity of the City of Edmonton.



(2) That he was introduced by Mr. Hooke to Holloway on or about the first of May 1951 for the purpose of obtaining Holloway's advice as a planner.

(3) That from this first meeting with Campbell until he left the Edmonton District Planning Commission, Holloway at various times made his skill and knowledge as a planner available to Campbell without receiving any remuneration, although his services had a substantial value.

(4) That Campbell's letter to the Municipal District of Strathcona dated the 9th of November 1951, in which he requested approval of a proposed townsite project comprising the whole of Section 27, excepting the southwesterly legal subdivision, was written on the assumption that he would obtain options for the purchase of these and other lands, but the evidence shows that no options were in fact obtained by him from anyone until March 1953.

(5) That the letter written by Holloway to the Secretary-Treasurer of the Municipal District of Strathcona, dated the 3rd of July 1952, while he was Chairman of the Commission, was not written with the knowledge or authority of the Commission.

(6) That the technical planners attached to the Commission were without exception, opposed to the proposed development.

(7) That the approval of the development in principle by the Commission on September the 9th 1953, was in large

measure attributable to the combined persistence of Campbell and the strong support of the Municipality of Strathcona.

(8) That Mr. Hooke did not endeavour to exert any influence on Moyer, the Reeve, or on Hawkins, the Secretary-Treasurer of the Municipal District of Strathcona with respect to this proposed development. There is no evidence to suggest that he endeavoured to influence any other members of the Municipal Council, or that these Councillors or municipal officials were in fact any way influenced by Mr. Hooke or the office which he held.

(9) That Mr. Hooke did not endeavour to exert any influence with respect to the proposed development on Lash as a member, and later chairman of the Commission, on Dant, as a member of the Commission, or on Gertler in his capacity as a planning technician of the Commission. There is no evidence to suggest that he endeavoured to influence any other members or technicians of the Commission, other than Holloway.

Holloway played a significant part in this phase of Sherwood Park development in the assistance he rendered Campbell as a planner, and in his actions as Chairman and member of the Commission. The essential fact to be determined with respect to this assistance is whether Mr. Hooke used his position as Minister to induce him to do so.

Mr. Hooke, as Minister of Economic Affairs, was not the Minister responsible for planning. Holloway, as Chairman of the Edmonton District Planning Commission, and later as member, was not therefore answerable to him in those capacities. He was answerable to him only by virtue of his position held concurrently as Chairman of the Civil Service Commission, which is too remote to support an inference that he was influenced by that relationship.

Holloway was subjected to a lengthy, searching cross-examination by five counsel. His answers to some of these questions, quoted earlier, reflect the general tenor of his responses.

His relationship with Mr. Hooke, according to his evidence, was on a friendly basis, and he assisted Campbell, he said, because he wanted to please Mr. Hooke, not to curry favour, he said, nor because he was afraid of him. His evidence does not establish that Mr. Hooke exerted or endeavoured to exert any influence on him in the discharge of his duties as Chairman or member of the Commission. Indeed, he was specific in stating that Mr. Hooke did not exert any pressure for his approval of the proposed development, and did not ask for his support. I am not prepared to draw an inference contrary to such direct testimony.

The evidence adduced with respect to this phase of Sherwood Park development does not justify a finding that Mr. Hooke used, or attempted to use his office of Minister



to effect approval of the development in principle by the Edmonton District Planning Commission, for the personal gain of himself or his friends.

(3) Withdrawal of Strathcona from the Commission.

The withdrawal of the Municipal District of Strathcona from the Edmonton District Planning Commission was effected by an Order-in-Council upon the recommendation of the Honourable Lucien Maynard in his capacity as acting Minister of Municipal Affairs, in the absence of the Honourable Mr. C. E. Gerhart. The Order-in-Council authorizing the withdrawal was signed by the Honourable C. C. Cross as acting Chairman of the Executive Council.

With respect to the withdrawal of Strathcona from the Commission, Hawkins, the Secretary-Treasurer, said "that no one councillor was the prime mover in the withdrawal; that the Council was unanimous in its decision to withdraw".

He spoke of the difficulties the Municipality had had with the Commission. Council's first major dispute, he said, was with Plotkin, the original Director of the Commission who, in their opinion, interfered with the development of one of the major industrial plants; and then with Gertler, the Commission planner, who without authority from the Commission had written a report advocating the establishment of an Edmonton school district which would, he said, in effect have separated the industrial area of Strathcona from the



rest of the Municipality. He said there were several other minor reasons, where he felt certain subdivision plans, other than Campbelltown, were being unnecessarily delayed in approval, but said that the last straw leading to the withdrawal of Strathcona from the Commission was the slowness of the Commission in approving the Campbelltown site plan.

Moyer, former Reeve and a Councillor for thirty-two years, stated that he could not recall any meeting with Mr. Maynard; that his recollection was that the councillors were told either at a council meeting or committee meeting that if an application was made for withdrawal from the Planning Commission it would be approved; that the council was in full agreement as to withdrawing. He stated that there were several circumstances for them wishing to withdraw, one of which was the attitude of the Director of the Planning Commission, Gertler, more than anything else; that they felt that their wishes were not being complied with as they thought they should be and were being blocked by the Director. He stated that to his knowledge no Councillor had ever spoken to Mr. Hooke about Campbelltown.

He stated that he did not think the Campbelltown development entered into the feeling too much. The decision to withdraw was a build-up and the council did not need any persuasion.

N. P. Parker, who served as Councillor for the Municipal District and County of Strathcona for twenty years and was Reeve in 1953, stated that to his knowledge no members of the Council had any assistance or encouragement from any one in connection with the withdrawal from the Edmonton District Planning Commission; nor did any Minister of the Crown approach him and suggest that the Municipal District should get out of the Commission, or encourage or assist it to get out. To his knowledge no communications of any kind were received at any time in this regard.

He stated that he had not discussed the matter of getting out of the Edmonton District Planning Commission with Mr. Hooke nor with Campbell, nor could he recall discussing it with Mr. Maynard.

Mr. Maynard, the former Attorney General, was called to give evidence with respect to withdrawal of Strathcona from the Commission. He stated that he could recall absolutely nothing concerning the Order-in-Council except that he had signed a document which he thought was the actual Order-in-Council, but on the records being examined during the course of this inquiry, proved to be the recommendation. He stated that the recommendation would have come to him from some official of the Department of Municipal Affairs, but he could not recall who the particular official was. He stated that he considered the signing of this

document a routine matter, which he performed in the absence of the Minister of that department. He could not recall having discussed this matter with anyone from the Municipality or with Mr. Hooke.

Mr. Hooke stated that he never discussed Campbelltown or the withdrawal of Strathcona from the Commission with Mr. Maynard, or with anyone else, and specifically denied that he ever put pressure on the Municipal District or Adamson, his local Councillor, or anyone else, to urge its withdrawal from the Commission. He stated that he did not intervene in any way to hasten or to assure the granting of the Order-in-Council permitting the Municipality to withdraw.

There is no evidence linking up Mr. Hooke with the withdrawal of the Municipal District of Strathcona from the Edmonton District Planning Commission.

(4) Approval of outline and subdivision plans after withdrawal of Strathcona from the Commission.

The effect of the withdrawal of the Municipal District of Strathcona from the Edmonton District Planning Commission, was to transfer jurisdiction over the approval of outline and subdivision plans of the proposed development from the Commission to the Provincial Planning Advisory Board (hereinafter called "the Board").

The Board's membership comprised the Minister of Municipal Affairs, who was Chairman, the Deputy Minister and the Director of Town and Rural Planning, who was also an executive member. The Honourable C. E. Gerhart was Minister and Chairman from 1950 to the 23rd of September 1954, when he was succeeded by the Honourable E. W. Hinman, who in turn was succeeded by the Honourable A. J. Hooke on the 2nd of August 1955. Mr. Hooke continued as Chairman until the 28th of March 1957, when J. H. Holloway became Chairman. H. N. Lash held the positions of Director and Executive Member from 1950 until the 27th of February 1957.

The chronological order of events in this phase of the development follows:

On the 27th of September 1954, an application for approval of a proposed subdivision of all of Section 27, accompanied by a tentative plan, was submitted by J. W. Hill, A.L.S., to the Board for approval.

In late October or early November, the Executive Council approved in principle the overall development of Section 27 and other lands adjacent thereto, and authorized the Board to approve the proposed subdivision of Section 27. The plan submitted and approved is known as "The Counts' Plan". (Giffen stated that this was the final plan that was considered by the Commission on the 9th of August 1954, before Strathcona withdrew). On the 9th of November 1954, the above-mentioned application, and the tentative plan were



endorsed with the approval of Lash in his capacity as Director of Town and Rural Planning on behalf of the Board. Mr. Gerhart was then Minister of Municipal Affairs.

In 1954 Campbell formed a private company, Cam-Del Co. Ltd., in which he and his wife held all the shares, and to which in due course he transferred the various options he held with respect to the lands comprising Sherwood Park, including the Hooke option dated 20th of April 1955.

In June 1955, Cam-Del assigned all of its interest in these options to one A. L. Trowbridge, and these options in turn were held by Sherwood Properties Ltd., a holding company controlled by Trowbridge, in which company neither Mr. Hooke nor Campbell had any interest.

On the 14th of June 1955, an application for registration of a subdivision plan with respect to part of the S.W. $\frac{1}{4}$  of Section 27, was submitted by W. D. Usher, A.L.S., to the Board for approval. This application is endorsed as approved by Lash in his capacity as Director on behalf of the Board on the 15th of June 1955. The Minutes of a meeting of the Board dated the 14th of June, indicate that the proposed subdivision was regarded by the Board as a self-contained community in Section 27, and not as a unit in a larger overall plan; that the Board felt an overall plan embracing more than Section 27 would require more study, and then a report to the Executive Council.

An application dated the 22nd of June 1955, accompanied by a tentative plan for the development of all of Section 27, signed by W. D. Usher, A.L.S., was submitted to the Board and is endorsed as approved on the same date conditional upon corners at intersections to be rounded or cut off, by Lash in his capacity as Director on behalf of the Board. Mr. Hinman was then Minister of Municipal Affairs.

An overall plan embracing the whole development, including lands additional to Section 27, was submitted to the Executive Council for approval in the fall of 1955. The plan is endorsed with the approval of the Municipal District of Strathcona, dated the 20th of September 1955, and with the approval of Mr. Hooke as Minister of Municipal Affairs dated the 23rd of September 1955. This plan is known as the "Harman-O'Donnell Plan".

Two plans of subdivision with respect to parts of the S.W. $\frac{1}{4}$  of Section 27, approved by the Director on 7th July and 5th August 1955 respectively, were registered on the 22nd of July and the 23rd of August 1955, respectively, following approval of the Counts' Plan and prior to its being supplanted by the Harman-O'Donnell Plan. Mr. Hinman was Minister when the former was approved and Mr. Hooke when the latter was approved. Further subdivision plans were registered during the period 19th of January 1956 to the 5th of May 1958. Those registered up to the 5th of June 1956, were endorsed with the approval of the Director of Town and Rural Planning and those registered thereafter were endorsed with the

approval of the Edmonton District Planning Commission, Strathcona having been reinstated as a member of the Commission on the 1st of July 1956. In 1958, 1959 and 1960 further outline plans with modifications to the two former outline plans approved by the Executive Council, were approved by the Board.

On the 28th of November 1955, Mr. Hooke offered to sell the twenty acres still held by him in the S.W. $\frac{1}{4}$  of Section 27, free of the existing option, to Trowbridge for a price of \$2,000.00 per acre, conditional upon a suitable site in Campbelltown being conveyed to him, and his house being moved at the purchaser's expense. The agreement provided that the acreage could be purchased in portions. The agreement was accepted by Trowbridge's solicitors on the 7th of December 1955, and was in due course carried out. Effect was given to this agreement with respect to the movement of Mr. Hooke's house by a transfer dated the 18th of January 1960, from Sherwood Park Properties Ltd. to Mr. Hooke, of Lot 21, Block 12, Campbelltown Subdivision Plan 4533 K.S. onto which his house was moved.

Lash, who was Director and Executive Member of the Board for the period stated above, gave evidence with respect to the foregoing matters.

He pointed out the procedure leading up to registration of a subdivision plan. The first step, he said, was the approval of a development in principle. The developer



then had to submit a tentative plan to the Board for approval, and within twelve months of such approval, which could be extended an additional six months in the discretion of the Board, the developer was required to submit a final plan of subdivision which was the plan to be registered in the Land Titles Office. The final plan of subdivision, he said, generally related to only a portion of the land covered by the tentative plan, while the tentative plan in turn related to a part of the total area comprising the outline plan for the whole proposed development.

The Counts' Plan, he said, first came before the Board for discussion. The Board then comprised Mr. Gerhart as Chairman, Mr. Judge, the Deputy Minister, and himself, in his capacity as Director. He stated he could not recall Mr. Hooke taking part in these discussions or ever being present at meetings of the Board when they were discussed. He stated that Judge was never in favour of the development, either as an incorporated town or as an unincorporated hamlet, because as a town, being a residential area without industry, it would have too small a tax base, and as an unincorporated hamlet, residents would have no local self-government. Mr. Gerhart shared this view, but in addition had a hard time reconciling that municipalities should do this planning with his desire that the individual should be left as free as possible from government interference. He added that Mr. Gerhart felt the matter to be unnecessarily



complicated by the fact that Mr. Hooke had an interest in the land and was a member of the government. Lash himself was not in favour of the development. His reservation, he said, about approving the tentative plan being more the size of the project, comprising as it did several sections of land. No decision, he said, was reached by the Board and eventually Mr. Gerhart decided it had better be taken to the Cabinet to clarify the matter and find out what the government's policy was. This led to the Cabinet approval of the Counts' Plan in late October or early November 1954.

The following questions were asked Lash on cross-examination, to explain the significance of the approval of the two subdivision plans, based on the Counts' Plan and registered on 22nd July and 23rd August 1955:

Q. . . . Well, the fact that these two plans were registered is certainly an indication that the overall plan of Campbelltown town-site had been approved and was underway?

A. As I said, this was settled before Mr. Hooke became Minister.

Q. Yes, and that anything that transpired after that was simply a question of routine matters?

A. H-mm?

Q. Well, there were no principles involved any more at this stage?

A. No, this would be correct.

Lash also gave the following answers to questions asked on examination in chief, with respect to the Harman-O'Donnell plan:

Q. Well then, you are saying that a plan such as Exhibit 175 is the key to future planning?

A. Yes.

Q. Further development?

A. Yes.

Q. By way of planning.

A. Yes.

Q. And then the developer proceeds to bring in detailed subdivision plans?

A. Plans . . . yes, usually one after another as the development goes ahead.

Q. Yes.

A. So as not to have too much land subdivided all at once.

Q. And what is the criterion for those detailed subdivision plans? Merely that they accord reasonably well with the outline plan that has been approved?

A. Yes.

Q. So that from that point in time onward that that outline Plan 175 was approved, there was no particular new act of decision involved in the thing; it was more or less an examination to see that the subdivision plan accorded with it reasonably well?

A. Yes.

He stated that he was not sure but had the impression that Mr. Hooke signed the Harman-O'Donnell Plan on his suggestion.

Mr. Hinman succeeded Mr. Gerhart as Minister of Municipal Affairs and, as such, as Chairman of the Board on the 23rd of September 1954, and continued as such until the 2nd of August 1955 when he was succeeded by Mr. Hooke. Lash stated that the attitude of Mr. Hinman was that the development had been approved in principle, that the decision with respect to this development had been made before he became Minister, that there was going to be a development and his concern was that it be well done.

Lash testified that when Mr. Hooke became Minister of Municipal Affairs and, as such, Chairman of the Board, Mr. Hooke's attitude was that "the matter had been decided, the die was cast . . . in other words . . . that Strathcona had made up its mind about it, the Government had made up their mind about it, and . . . so that the question of the principle of the thing, either yes or no . . . whatever you call it . . . was a settled matter, and that the only matter that would be relevant was whether the plan conformed to what had already been agreed." He stated that his talks with Mr. Hooke, direct conversations with him about this matter were extremely limited; "it was all largely settled before he was Minister and before I had any direct talk or conversation with him". Later on in his evidence he stated "I think I may have been surprised in a way by the fact that the discussion with Mr. Hooke was rather detached, you know, when he became Minister and we did discuss these things."

He stated that he knew that Mr. Hooke had an interest in the land but was not aware that he had given an option or had later sold the lands; Mr. Hooke, he said, never told him or pressured him to do anything about the proposals. Nor, he said, did Holloway keep agitating or pressure him.

On being questioned as to his reasons for terminating his employment with the Provincial Government in April of 1957, he stated that he had an offer of employment in Toronto giving him an opportunity of getting back into planning rather than straight administration work, and his wife was anxious to move back to eastern Canada. To the suggestion that his leaving was partly because of opposition from ministerial personages, he stated, "No, that it might have had a hand in the final analysis but was certainly not a prime consideration". It had become clear to him some time in 1956, he said, that if he was going to stay, he would have to learn to live with Mr. Hooke and try not to fight him all the time. Mr. Hooke was not interested in planning at all. He said that he felt one could still do something for planning in Alberta with Mr. Hooke and that this was, in fact, the case. When asked if he was suspicious of Mr. Hooke, he replied, "Well, you know, it was this way. Mr. Hooke was in the background of all the Campbelltown business and it was a great shock when we had read in the papers that he had been named Minister of Municipal Affairs.



I did have staff members who immediately started looking for employment elsewhere." Lash went on to say that these staff members felt that Mr. Hooke was not interested in planning at all on the grounds that it involved less freedom for the individual to do what he liked with his land.

Nash and Gertler, both now living in eastern Canada, came and testified on the inquiry voluntarily on the invitation of the Commission. They were most co-operative, and their evidence was of great assistance.

Mr. Hooke in his evidence with respect to this phase of the development, stated that he could not recall being present at the Executive Council meeting in November 1954 when the Counts' Plan was discussed, nor being at any Cabinet meeting at which any plan of Sherwood Park was discussed. His signature on the Harman-O'Donnell Plan on the 25th of September 1955, he said represented the approval of the Executive Council; he felt it would have been hypocritical and running away from his responsibility had he let an Acting Minister sign it for him.

When asked if he had anything to do with the actual development of Sherwood Park, the planning of it, the engagement of surveyors and the preparation of outline plans, he replied "none whatever". He stated that he could not recall being consulted in that respect either by Trowbridge or Campbell or any of the other persons interested in the devel-

opment; that he had not expended any money in the development; that he did not meet Trowbridge until he was introduced to him by Mr. George Bryan at the time A. L. Trowbridge was acquiring Campbell's interest in the land and that he had no part whatever in negotiating the sale of Campbell's interest.

G. C. Robinson, a chartered accountant, gave evidence to the effect that Mr. Hooke's net profit with respect to the disposition of the S.W. $\frac{1}{4}$  of Section 27 amounted to approximately \$64,000.00.

The evidence with respect to this aspect of the development of Sherwood Park establishes:

(1) That the reference of the Counts' Plan to the Cabinet was for the purpose of ascertaining what government policy would be with respect to a development of this kind. The approval of the Counts' Plan by the Cabinet in October or November 1954, constituted approval in principle of the development of Section 27 and other lands. Mr. Hooke was not at that time Minister of Municipal Affairs.

(2) That the Cabinet at the same time authorized the Board to approve the proposed subdivision of Section 27.

(3) That the Director's approval of the application referred to above on the 9th of November 1954, was granted pursuant to this authority while Mr. Gerhart was Minister of Municipal Affairs.

(4) That the Director's approval of the applications referred to above on the 15th of June and on the 22nd of June 1955 respectively, were granted pursuant to this authority while Mr. Hinman was Minister of Municipal Affairs.

(5) That following approval of a general outline plan, the approval of a subdivision plan for registration by the Director was a routine procedure, depending on conformity with the outline plan.

(6) That the subdivision plans referred to above, registered on the 22nd of July and the 23rd of August 1955, were approved by the Director while Mr. Hinman and Mr. Hooke respectively were Minister of Municipal Affairs.

(7) That the Harman-O'Donnell Plan approved by the Cabinet in the fall of 1955 and signed by Mr. Hooke in his capacity as Minister of Municipal Affairs, related to the whole of the development.

(8) That Mr. Hooke's signature of this plan on the 23rd of September 1955, in his capacity as Minister of Municipal Affairs, was a routine procedure.

(9) That after the month of June 1955, Campbell was out of the development by reason of his having assigned his options to the Trowbridge interests.

(10) That Mr. Hooke continued to have an interest in the S.W.  $\frac{1}{4}$  of Section 27 until 1959, when the last option under the agreement of 20th of April 1955, and subsequent

related agreements, was exercised.

(11) That Mr. Hooke did not participate or contribute financially or otherwise in the actual development of Sherwood Park by Campbell or Cam-Del Co. Ltd. prior to its being taken over by Trowbridge and Associates.

(12) That Mr. Hooke did not participate or contribute financially or otherwise in the transactions between Campbell and Trowbridge and Associates with respect to the latter taking over the development of Sherwood Park, nor in its subsequent development by them.

(13) That Mr. Hooke made an approximate net profit of \$64,000.00 from the sale of the S.W. $\frac{1}{4}$  of Section 27 as a result of the development of Sherwood Park.

The crucial decisions germane to this inquiry, authorizing this phase of Sherwood Park development, were those of the Cabinet approving the Counts' Plan in late October or early November 1954, and the Harman-O'Donnell Plan in September 1955.

The oath taken by members of the Executive Council binds them to secrecy as to what transpires at meetings of the Council. No evidence could therefore be adduced as to what was discussed at the two Cabinet meetings.

The evidence with respect to this phase of the development does not establish that Mr. Hooke used his office as a Minister of the Crown to effect the approval of either of these above-mentioned plans.



While the Sherwood Park development viewed as a whole without analysis from the acquisition of the S.W.<sup>1</sup>/<sub>4</sub> of Section 27 by Mr. Hooke to the final approval in principle of the whole development, gives the appearance of a scheme in which Mr. Hooke was an active participant, using the services of his associate Campbell and manipulating Holloway in his influential position as Chairman of the Edmonton District Planning Commission and later as Chairman of the Provincial Planning Advisory Board, nevertheless the conclusions reached with respect to the various stages in the development based on the actual facts established by acceptable evidence, do not support such a conclusion. However, Mr. Hooke's involvement in this development could, and indeed did, give rise to the suspicion that he was using his high office for the personal gain of himself and his associate Campbell. In so exposing himself to such suspicion his conduct in my view was imprudent in the sense of the observation made by Prime Minister Asquith quoted earlier in this Report.

### 3. WHITECROFT

In March 1953, Mr. Hooke acquired ownership of the S.W. $\frac{1}{4}$  of Section 23, Township 52, Range 23, West of the 4th Meridian, lying one mile east and half a mile south of the S.W. $\frac{1}{4}$  of Section 27.

The events leading up to this purchase were related by the vendor, Lewis Kutt, who testified that in the fall of 1951, shortly after Mr. Hooke had purchased the Kaplain quarter, he met him with a neighbor when they were both helping with threshing. He informed Mr. Hooke that he was interested in selling land which would be suitable for pasture purposes. Nothing was done about it at that time. He went to see Mr. Hooke again in the spring of 1952, when he indicated that he was still undecided but was interested in this quarter for pasture purposes, as someone was interested in all but forty acres of his quarter section. He returned to see Mr. Hooke in the fall and offered to sell the quarter for \$8,000.00 and Mr. Hooke said he would let him know. Again he returned in February 1953, and asked for a definite commitment. Mr. Hooke, he said, asked him to hold off for a month, which he did. About the 1st of March Mr. Hooke, he said, stated he was going to be left with only forty acres, and agreed to buy the quarter section. The sale was effected a week later.

T. L. H. McCoy gave evidence to the effect that in the summer of 1953 he was looking for a small acreage east of Edmonton, to be purchased through V.L.A. Meeting Mr. Hooke socially, he tried to get him to sell him a couple of acres in the S.W. $\frac{1}{4}$  of Section 27, without success. Through Mr. Hooke's son Keith, whom he met at work, he learned that Mr. Hooke had another quarter section which he was using for pasture, and a week or so later, on Keith's suggestion, he went to see Mr. Hooke. They looked at the S.W. $\frac{1}{4}$  of Section 23, and he said under persuasion, Mr. Hooke agreed to let him have five acres for \$5,000.00, upon his agreeing to look after the fences and keep the gates closed as Mr. Hooke had dry stock pastured there. The transaction was effected in September 1953 through the Veterans Land Act.

The land was subsequently divided, mostly into three-acre plots, some with larger and some with smaller acreage, and became known as Whitecroft.

The evidence with respect to this land establishes that it was acquired by Mr. Hooke through the initiative of the vendor Kutt for pasture purposes and was developed into small holdings as a result of the V.L.A. becoming interested through the purchase by McCoy of five acres which he had persuaded Mr. Hooke to sell him. There is no evidence to suggest that Mr. Hooke played any part in obtaining the approval of the subdivision plans for this quarter section.

#### 4. HOOKE LAND ASSESSMENT

An inquiry was made as to whether Mr. Hooke obtained any tax concessions from the Municipality of Strathcona.

J. E. Cook, former Assessor for Strathcona, was called to give evidence with respect to the assessment on Mr. Hooke's property in the Municipality.

He stated on examination in chief that he had no information that Mr. Hooke was treated otherwise than other rate payers; that he himself assessed Mr. Hooke's property to the best of his ability in the same manner that he assessed others. However, on being asked on cross-examination if he felt that Mr. Hooke was paying his proper taxes as assessed by him, he replied, "Well, to put it that way, I have to say no. I have no reason today to come here and say yes to that". He did not support this answer with any details.

Hawkins, the Municipal Secretary, was recalled and produced copies of the official tax assessment and tax roll sheets with respect to Lot A, Block 1, Plan 4533 K.S. Campbelltown (part of the S.W. $\frac{1}{4}$  of Section 27), Block N, Plan 5322 K.S., Lot 27, Plan 963 M.C. Campbelltown Heights, Lot 23, Plan 4382 M.G. Campbelltown Heights (all part of the N.W. $\frac{1}{4}$  of Section 22), and all belonging to Mr. Hooke. He gave evidence to the effect that these records reflected



the assessments made by Cook.

These records show that the assessment of the improvements on Lot A were reduced by the Court of Revision in 1957 and 1958; that five Councillors and the Assessor Cook were present when the appeals were dealt with by the Court; that the assessment on the improvements on Lot 23 was reduced by the Court of Revision in 1965. Hawkins stated that this reduction in assessment was made on the recommendation of the Assessor. Evidence was given that Mr. Hooke did not appear at any of these hearings.

When asked on cross-examination whether Mr. Hooke paid his proper taxation according to the assessments in the municipal records, he replied "Absolutely". This is fully supported by the municipal assessment and tax records referred to above.

5. IDEAL HOMES LTD.

Certain transactions involving this company (hereinafter referred to as "Ideal Homes") and the City of Edmonton will be dealt with further on in the Report, in that portion having to do with Hooke-City of Edmonton land transactions.

This portion of the report relates to two matters:

- (1) The sale of lumber by the company to Brown and Root Corporation, contractors for the Celanese Corporation plant.
- (2) The granting of loans to the company by the Treasury Branch, Edmonton.

Ideal Homes Ltd. was incorporated on the 17th of June 1950, having a capitalization of 20,000 ordinary shares with a nominal or par value of \$1.00. Four thousand shares were issued as fully paid up, two thousand to Mr. Hooke and two thousand to H. L. Spady, Mr. Hooke's brother-in-law, both of whom were directors. Mr. Hooke was president.

On the 10th of May 1951, the directors passed a resolution to invite C. E. Hooke (brother of Mr. Hooke) and J. H. Campbell, to join the company, pursuant to which they, on July 31st, became shareholders and directors, each being issued three thousand shares.

On the 28th of September 1951, an additional thousand shares were issued to A. J. Hooke and to Spady.

On the 17th of November 1951, the name of the company was changed to Ideal Homes and Building Supplies Ltd.

On the 2nd of May 1953, Mr. Hooke sold a thousand shares to each of the other shareholders, leaving him no longer a shareholder. At the meeting of directors approving the transfer of these shares, a resolution was passed to the effect that Mr. Hooke continue to act as president until all proper debts were liquidated, and continue to assume his quarter responsibility for all such debts. On the same date a special resolution was passed by the shareholders amending the Articles of Association to provide that a director should not be required to hold any shares in the company in order to qualify him to act as a director. Mr. Hooke continued to act as director until the 1st of January 1955.

Campbell was manager of Ideal Homes, and as such directed the day to day activities of the company. On giving evidence on this inquiry he appeared to have little knowledge or recollection of the company records, or details of the company's various transactions.

Mr. Hooke stated that the initial object in the formation of Ideal Homes was building conventional homes and prefabricated homes. In 1951 Hooke and Spady discussed the possibility of bringing in someone knowledgeable in home construction and having met Campbell who had been referred to him by another Cabinet Minister with respect to an inquiry

re building homes in the Clover Bar area, he introduced him to Spady who suggested that he be brought into the company. This was done and he and Mr. Hooke's brother C. E. Hooke, each acquired one-quarter of the issued shares of the company. Campbell was to purchase his shares by transfer of his house to the company as security for payment. He stated that after 1952 by virtue of an agreement with a Mr. Royer, they undertook not to engage in the construction of conventional homes other than finishing up three or four that had been started.

(1) Sale of lumber to Brown and Root Corporation.

A resolution was passed at a meeting of directors on the 6th of June 1951, to the effect that as Brown and Root Corporation was about to commence construction on the celanese plant, the company make a bid for supplying lumber for the project. Acting on this resolution, Campbell effected the sale of lumber to this contractor.

Mr. Hooke stated that he did not play any part in the arrangements between the company and the celanese plant, or contractors for the celanese plant, for the supply of materials, and there is no evidence to suggest the contrary.

The evidence of Martland and McCoy, and the news items in the Wall Street Journal and Edmonton Journal on the 8th and 9th of February 1951 respectively, referred to



earlier in this report, establish that the location of the proposed celanese plant had been a matter of public knowledge from the 8th of February 1951, and actual work on the site had been underway since early in May, therefore the sale of lumber by Ideal Homes to Brown and Root did not arise from confidential information possessed by Mr. Hooke in his capacity as Minister of Economic Affairs, nor is there any evidence to suggest that he used his position as a Minister of the Crown to effect the sale of lumber by Ideal Homes to Brown and Root.

(2) Treasury Branch loans.

On the 12th of January 1951, Ideal Homes submitted an application to the Treasury Branch, Edmonton, for a credit of \$60,000.00. This application showed A. J. Hooke as president and H. L. Spady as secretary. The application bears the endorsement "not proceeded with", and refers to a revised application dated the 3rd of April. On that date an application for a credit in the sum of \$45,000.00 was submitted by Ideal Homes to the Edmonton Treasury Branch, enclosing a financial statement showing company assets of \$109,435.00, current liabilities of \$50,755.00, and mortgages held on houses under construction in the sum of \$28,260.00. The application, together with the financial statement, were forwarded on the same date by the manager of the Edmonton Treasury Branch to the Superintendent of Treasury Branches,

together with a letter which concludes:

"If the operations of the company are properly managed we see no reason why it should not operate profitably on the present market and we believe that Mr. Hooke will give it his close personal supervision.

"The moral risk is sound, and with the security offered we recommend the application to your consideration."

In the result, a credit to the company in the sum of \$45,000.00 was granted.

On the 6th of September 1951, an application for renewal of the credit for \$45,000.00 and for \$25,000.00 additional credit was submitted by Ideal Homes Ltd. The latter item is struck out and there is an endorsement "Rejected" and the \$70,000.00 total is struck out and the figures \$45,000.00 substituted in its place. A letter attached to this application from the Edmonton Treasury Branch to the Superintendent, Treasury Branches, concludes with: "We recommend the application".

Evidence with respect to this matter was given by C. G. Davey, Superintendent of Treasury Branches for the Province of Alberta, who has been associated with the Treasury Branches for a period of twenty-nine years and Superintendent since 15th of April 1957, prior to which he was a branch manager at Calgary. Davey impressed the Commission with his competence and integrity.

With regard to the application of Ideal Homes Ltd.

for credit, he stated that the application would, on being received by the Superintendent's office, be recorded as an application from the branch in which it originated, would have been considered by the officers of the Loans Committee, comprising the Superintendent, A. J. Olive (now deceased) and possibly three other senior officers, and finally, brought to a Loans Committee meeting at which time it would be dealt with and either approved or rejected.

As security for this credit of \$45,000.00, the Treasury Branch held a general assignment of book debts, letters of guarantee, each in the sum of \$50,000.00 signed by Spady and Mr. Hooke, and a specific assignment of book debts dated 6th April 1951, acknowledged by the Manufacturers Life Insurance Company, covering all advances due or accruing due through mortgages obtained from the Manufacturers Life by Ideal Homes.

With respect to this credit he stated that it was ultimately paid out in full on the 9th of June 1955, at which time there was then owing \$31,546.24. On the 11th of June Mr. Hooke's personal guarantee was released to him.

He testified that in March 1952, the company was granted a revolving credit of \$25,000.00 for its lumber purchase account and each credit was operated by way of an overdraft. He confirmed that this credit was eventually paid on the 28th of April 1960, when there was then a balance owing of \$41.97. The account itself was finally



closed on the 11th of January 1966, with the withdrawal of a credit balance of \$4.05.

He stated with respect to both these credits that they did not have to call in these loans and did not have any difficulties with them.

He pointed out that although J. Gavin, Manager of the Edmonton Treasury Branch was a good friend of his, he was not aware of any relationship between Gavin and Mr. Hooke and that none of the members of the Loan Committee were, to his knowledge, personal friends of Mr. Hooke. In his capacity as superintendent, he said he had no contact with Cabinet Ministers but reported to his Deputy Minister, the Deputy Provincial Treasurer. Copies of minutes of the committee meetings went to the Provincial Auditor and the Provincial Treasurer as well as the Deputy Minister.

He agreed with the suggestion that the fact that Mr. Hooke was a guarantor would be of considerable importance to the authorization of the loan. He went on to say that they were relying strongly on Mr. Hooke's ability and integrity and pointed out the fact that these advances would be made pretty well against moneys specifically earned, which he said "puts you in a pretty strong position". He confirmed that at the time of the approval of the application for credit on the 3rd of April 1951, Mr. Hooke was indebted to the Treasury Branch, directly or indirectly, in



the sum of \$9,993.00.

Mr. Hooke stated that he knew Olive, but could not recall ever having discussed borrowing money from the Treasury Branch, or Ideal Homes, with him. He gave evidence to the effect that the \$31,546.24 paid to the Treasury Branch on the 9th of June 1955, was paid with moneys borrowed by him personally from the Bank of Nova Scotia, Edmonton, and that this sum of money has not yet been repaid to him by Ideal Homes Ltd.

The Legislative Assembly Act was amended at a special session of the Legislature held in August 1955. The amendment in effect prohibits any member of the Legislative Assembly from borrowing money from the Treasury Branches.

Mr. Hooke agreed with the suggestion that at the Spring Sittings of the Legislative Assembly the propriety of loans from the Treasury Branch to M.L.A.s was questioned in the Legislature. He denied that his action in paying off Ideal Homes' loan to the Treasury Branch had anything to do with the above amendment and that the fact that there was going to be a provincial election in 1955 had anything to do with his paying off the Treasury Branch. He stated that his reason for paying it off was pressure of creditors, and the fact that it looked as though the company would have little alternative but to go into bankruptcy. There was, however, little other evidence of other pressure by creditors.

The matter of loans to members of the Legislative Assembly was one of the matters inquired into by the 1956 Royal Commission. The report of the Commission states at page 229:

"We have concluded that all loans made to Members of the Legislative Assembly were made in the usual course of the loaning procedures followed by the Loans Committee of the Treasury Branches. With the exception above mentioned, the loans were adequately secured. (Note: This exception did not apply to Mr. Hooke). They all were paid in full. The same rate of interest was charged to Members as was charged to other customers. In fact, in all respects, we have no reason to believe that Members of the Legislative Assembly were treated in any way differently from other customers. We have no evidence before us which suggested that pressure was brought to bear on any Treasury Branch employee to influence him in favor of making loans to any Member of the Legislative Assembly."

This finding disposes of the matter of loans made by the Treasury Branch to Mr. Hooke personally, to which reference was made on this inquiry.

With respect to the loans made to Ideal Homes, guaranteed by Mr. Hooke, the evidence establishes that they were made in the usual course of the loaning procedures followed by the Treasury Branch; that they were adequately secured and that they were paid in full. There is no evidence of preference by way of interest charged, or indicating that Ideal Homes was treated differently from other customers, nor is there any evidence suggesting that Mr. Hooke, directly or indirectly, did or endeavoured to influence any Treasury Branch employee in favour of making the loans to Ideal Homes.

## 6. HOOKE-ALLARD RELATIONSHIP

For purposes of convenience, this portion of the inquiry will be considered under four headings:

- (1) North-West Trust Company Limited.
- (2) Paris Investments Limited.
- (3) New town of Fort McMurray.
- (4) Regent Towers.

### (1) North-West Trust Company Limited.

There are four aspects to be considered with respect to this company:

- (a) The registration of the company as a trust company under The Trust Companies Act.
- (b) The granting of power to the company to take deposits.
- (c) The lease of a building purchased by the company from the Northwest Utilities Ltd. to the Provincial Government.
- (d) Transactions between the company and Mr. Hooke, or companies in which Mr. Hooke had an interest.

#### (a) Registration

The North-West Trust Company Limited, incorporated in 1911 with an authorized capital of five hundred shares and registered as an inactive trust company in 1931, was registered as an active trust company on the 23rd of July 1958.



Following is the sequence of events leading up to that registration:

In 1956, D. R. Matheson and Angus G. Macdonald, barristers and solicitors in the City of Edmonton, then practising law in partnership, acquired ownership of thirty-four of the fifty shares of stock then issued. The company did not have in its powers the right to accept moneys in deposit.

During the year 1958 Dr. C. A. Allard acquired a controlling interest in the company through shares issued to himself and Paris Investments Ltd. in which he held a controlling interest.

On the 24th of March 1958, registration of Farmers and Merchants Trust Co. Ltd. (hereinafter referred to as "Farmers and Merchants Trust"), to which reference will be made later, was cancelled by Order-in-Council.

On the 3rd of April 1958, Matheson and Macdonald, who continued as the company solicitor, attended on James Warr, Registrar of Joint Stock Companies (hereinafter referred to as "the Registrar"), with a view to having the company registered under The Trust Companies Act to become active in business. A memorandum of this meeting records that Matheson stated it was not the intention of the company to accept deposits; that Warr informed them that he had been instructed to refuse registration of any trust company; that on his right to refuse registration being questioned, Warr agreed to take the matter up with the Deputy Minister,



Mr. E. R. Hughes.

On the 9th of April Hughes discussed the matter with Mr. Hooke. A memorandum of this discussion indicates that Mr. Hooke decided that as the company had formerly been registered as an active trust company, it would be desirable to grant registration, provided it confined its activities solely to the functions of a trust company as defined by the Act; that Hughes asked Mr. Hooke's reaction to placing a further requirement, that the company be required to maintain liquid assets in the form of cash, Dominion and Provincial bonds in the sum of \$50,000.00 or 25% of its liability to its clients, whichever was the greater; that Mr. Hooke concurred in order to protect the interests of persons dealing with the company.

On the same date the solicitors wrote to Mr. Hughes outlining the purposes of the proposed re-activation of the company and the powers which they requested, including the right to accept deposits.

On the same date, Hughes met with Matheson, Macdonald, Dr. Allard, and two other gentlemen, when the proposals of the above-mentioned letter were discussed. A memorandum of this meeting stated that Hughes advised them that in view of the proposal to receive moneys on deposit, he would not approve registration of the company under The Trust Company Act; that he suggested they make a presentation to the Minister in view of the fact that he

was of the opinion registration should be refused if the company intended to accept deposits; that the company would require to maintain a specific percentage of its paid-up capital in liquid form for the protection of the public dealing with the company and that before registration, the present objects of the company would require extensive amendment to comply with The Trust Companies Act.

On the 10th of April, in a memorandum from Hughes to Mr. Hooke, he confirmed a telephone conversation with the Minister the day before in which Mr. Hooke had approved the entertainment of an application for registration of the company as a trust company, provided it was clearly understood that the company would not accept deposits. Attached to the memorandum was the letter from the solicitors dated the 9th of April. The memorandum stated that Hughes had informed the parties who had met with him the day previously that he felt that under no circumstances should registration be permitted on the basis suggested, and recommended that if they appealed to him they be refused. He then set forth six particular reasons why they should be refused.

On the 16th of April a memorandum by Hughes of a conversation with Macdonald indicates that the promoters wished to appeal against the requirement for \$50,000.00 capital reserve; that he had phoned Mr. Hooke in the hope that he might hear the solicitor's representations; that

Mr. Hooke gave instructions that the matter be held in abeyance until the following week; that Mr. Hooke's reaction to the desire of the company to invest practically all its paid-up capital in a building on which there was a first mortgage, was distinctly unfavourable; that Macdonald was to write him a letter outlining in detail the proposed plans, which was to be held until a decision had been reached by the Cabinet Committee on the Monday following, as to what action should be taken with regard to Farmers and Merchants Trust.

On the same date Hughes sent a memorandum to Warr which states that Macdonald had indicated by telephone that it was proposed to amend the powers of the company to provide that it would not have powers to accept deposits and had asked for advice regarding the wording of the resolution; that he had given suggestions as to the wording of the resolution; that he had suggested to Macdonald that the Articles should contain a requirement that the company maintain cash in Dominion, Provincial or Municipal bonds in the sum of \$50,000.00 or 25% of its liability to clients.

On the 21st of April Macdonald wrote to Hughes outlining the steps proposed to be taken to reactivate the company in accordance with his instructions and asking for further consideration to be given to the requirement of \$50,000.00 in capital to be invested in bonds, but stating that they were in accord with the 25% provision, and proposing



alternative provisions to the \$50,000.00 requirement.

A memorandum by Hughes dated the 2nd of June indicates that Dr. Allard had phoned on the 8th of May for an early decision; that Hughes had phoned Mr. Hooke, who had previously instructed that this matter be held in abeyance pending further discussion of a Cabinet Committee on the whole question of trust companies; that Mr. Hooke advised that the matter should not be delayed further; that Hughes advised that the company had asked for further consideration to be given to the requirement that \$50,000.00 of the company's capital should be invested in bonds; that Mr. Hooke instructed him to stand by this requirement rather than agree to all the alternatives proposed by Macdonald in his letter of April 21st.

On the 23rd of June an application for registration was filed with the Registrar.

On the 27th of June a Notice of Amendment to the Memorandum of Association with respect to the objects of the company as confirmed by court order, including an express provision that objects should not be deemed to include the right to receive moneys on deposit, was registered with the Registrar of Joint Stock Companies, and a Certificate of Registration of the court order confirming the special resolution was issued by the Registrar.

On the 22nd of July a certificate by the Provincial Auditor to the effect that he had inspected the balance



sheet and bank confirmation form of the company, and was of the opinion that the company had complied with the provisions of Section 7 of The Trust Companies Act, was filed with the Registrar.

A certificate of registration was issued on the 23rd of July.

On the 5th of August an Order-in-Council was passed approving Farmers and Merchants Trust for registration, subject to specified terms and conditions.

On the 13th of August the solicitors sent to the Registrar a copy of a letter addressed to North-West Trust indicating that the requirements as to investment of \$50,000.00 in bonds, as required in the undertaking to the Registrar, had been completed.

On the 25th of November an extract from the Articles of Association was filed with the Provincial Secretary's office, which provided:

"100. The North-West Trust Company Limited shall at all times maintain an investment of \$50,000.00 or 25% of the liability of the company; whichever be the greater amount, in Dominion, Provincial or Municipal bonds.

"101. The investment of trust funds by the company shall be restricted to investments authorized to be made of trust funds by the laws of the Dominion of Canada, from time to time.

"102. Articles 100-102 inclusive of the Articles of Association, shall not be altered, varied or rescinded without the consent in writing of the Provincial Secretary of the Province of Alberta being first had and obtained."

Evidence was given with respect to the foregoing matters by Mr. Macdonald, Mr. Matheson, Mr. Hughes, Dr. Allard and Mr. Hooke.

Matheson stated that in acquiring ownership of this company he had no particular object in view other than a conviction that there must be a profit in the business, and he wanted to investigate it and try to get the trust company business going in Alberta with a company owned by Albertans. Being short of money, he approached Dr. Allard in 1955 or 1956 and made arrangements to sell the doctor the controlling interest in the company to Paris Investments, a company owned by Dr. Allard.

He and his partners, Angus G. Macdonald, went to the Registrar of Companies to get guidance on how to go about reactivating the company and from him went to Hughes, the Deputy Provincial Secretary. He stated that he never attended a meeting with Hooke and did not know him. On being asked if he learned of any pressure being brought by Mr. Hooke re the activation of the company, he replied "none whatever". He stated that Allard had never indicated that he had some friends in the government who could help him in this matter.

Angus G. Macdonald was solicitor for Dr. Allard. He stated that he did not have any meeting with Mr. Hooke during the course of the negotiations, for the registration of the company. When asked if there was any intimation from

any source that Dr. Allard might have gone direct to Mr. Hooke about this matter, he replied "I cannot recall any such thing being suggested in my hearing", and added that he never had the remotest suspicion that that might have happened. He stated that he had previously met Mr. Hooke on only one occasion in connection with an entirely different matter in 1953, and never saw him again except at public meetings until this year when he discussed a matter with him not related to North-West Trust Company.

E. R. Hughes was Deputy Provincial Secretary in 1958, which position he held until his retirement on the 1st of September 1964.

With respect to the application for registration of North-West Trust as an active trust company, he stated that ordinarily it would have been a matter more or less routine, and that, in fact, another exactly similar case had been dealt with in that manner some few months before in the case of the application of the Farmers and Merchants Trust. He stated that this being a second application he thought it was a matter of sufficient concern on policy to refer the matter to his Minister, because of the fact that The Trust Companies Act, in his estimation, provided completely inadequate protection for the public. The legislation had been in force for many years and had not been looked at, and probably was adequate for the trust companies operating at that time, who had large reserves, but a new



one starting up would not have such reserves.

He did not agree with the suggestion that there were some rather unusual features in the application of North-West Trust to become registered. It was not routine, he stated, because of the policy question of the registration of such a type of trust company. He said that if any application had been made at that time by any other company registered as an inactive trust company, it would have been treated exactly the same.

He testified that he himself was concerned as a Westerner that all profits from trust operations were draining off to eastern Canada, and mentioned on more than one occasion that it would be desirable to have local trust companies operating in the west, so profits would stay in the west. This, he stated, was his own idea and was not suggested to him by anyone else.

He thought it desirable as a matter of policy, to draw his Minister's attention to the fact that something drastic should be done about The Trust Companies Act to amend it so as to provide further protection for the public, and suggested to him that in the meantime consideration be given to imposing requirements beyond those fixed by the Act, and he had in mind requiring larger paid-up capital than the Act required.

He stated that Mr. Hooke asked him to hold the registration in abeyance and to instruct Mr. Warr to with-



hold the registration of North-West Trust Company until the Cabinet had a chance to review the whole trust company situation and deal with his recommendation for extensive amendment to The Trust Company Act.

He stated that the Farmers and Merchants Trust registration had been cancelled because of misleading advertising and irregular investment of deposited funds.

The distinction between Farmers and Merchants Trust and North-West Trust was that the Farmers and Merchants was an inactive company, not registered as such, while North-West Trust was an inactive company registered as such.

He agreed that the Deputy Attorney General had expressed himself very forcefully that old companies not incorporated under The Trust Companies Act should not be registered, which applied equally to Farmers and Merchants and North-West Trust.

He testified that Dr. Allard had been in his office once and had phoned him several times in connection with the matter, but there was nothing unusual or peculiar about his conversations with him. He was not aware of any relationship between Mr. Hooke and Dr. Allard.

The decision to register the company, he said, was made pursuant to the provisions of Section 8 of The Trust Companies Act, R.S.A. 1955, which empowers the Minister, in his discretion, to grant or refuse an application for regis-

tration. The discretion in this case was exercised by Mr. Hooke.

In the course of his examination in chief and cross-examination with respect to the registration, Mr. Hughes was asked the questions and gave the answers as follows:

Q. Yes, and then it was your conclusion that since the applicant was in fact complying with the requirements of the law as it then stood, it would be unjust to withhold the license for an indefinite period of time?

A. Yes.

Q. Were you influenced by any outside person including Mr. Hooke to grant the license?

A. No.

. . . .

Q. Were you personally satisfied that North West Trust fulfilled your requirements on July 23rd, 1958?

A. Yes.

Q. Personally?

A. Personally.

. . . .

Q. Mr. Hughes, when did you retire from the Government service?

A. September 1, 1964.

Q. And up until your date of retirement was North West Trust ever relieved of this obligation to invest the \$50,000.00 as specified?

A. Not to my knowledge.

Q Well then, in what way was relief given to North West Trust on the grounds that relief was about to be given, at least on the grounds that the Farmers and Merchants had the same provisions?

A. Farmers and Merchants had been granted registration and the application of North West was more or less on all fours with it and, having granted it to one it appeared not unreasonable to grant it to another.

Charles A. Allard is a medical doctor in Edmonton, specializing in surgery. He stated that in about 1958, as a result of an acquaintanceship with Mr. Matheson, he became interested in an inactive trust company which Mr. Matheson's firm owned. His interest in the trust company was largely as a company that could do property management and estate management. Mr. Matheson and his partners undertook to activate the charter of this company, North-West Trust Company Limited. He stated that in connection with the activation of this company he did not, at any time, have any communication with Mr. Hooke, and in fact did not then know that he was the Minister concerned with matters of this kind. He stated that the only meeting he had at all with a Minister connected with incorporating companies, was with Mr. Patrick. His first recollection of meeting Mr. Hooke was in November 1959 and if he had met him prior to that time he had no recollection of it.

Mr. Hooke gave evidence with respect to his relationship with Dr. Allard. He said that he first met Dr. Allard casually, for about five minutes, at the annual Social Credit

Convention in Edmonton on the 20th of November 1958, the exact date being established by checking the actual convention dates. The meeting, he said, took place in a cafe when he was introduced to Dr. Allard by Campbell.

The second meeting occurred in the fall of 1959 when he was assisting a man who had purchased a three-acre parcel of land from him to locate water by water-witching, at which time Dr. Allard and Campbell were present.

His third meeting with Dr. Allard took place in the fall of 1960 when the doctor performed a major operation on Mrs. Hooke. He consulted Dr. Allard on the advice of Dr. Ross, the Minister of Health, who recommended two doctors, one of whom was Dr. Allard. From that time on he stated that they became friends; that the same fall, when Dr. Allard and his wife and children called on them, he made a gift of a Shetland pony to his young daughter.

With respect to the memo from Hughes to him dated the 10th of April 1958, referred to above, he stated that at that time he had not met Dr. Allard, who was then completely unknown to him. He could not recall Hughes bringing it to his attention that Dr. Allard was actively interested in North-West Trust, nor did he know from any newspaper reports that he was so interested, and that if he had it would not have meant anything to him at that time. He further stated that none of the officials of the company ever contacted him by telephone, or in any other way.



There is no evidence with respect to the approval of the registration of North-West Trust that any influence was brought to bear by or on behalf of Dr. Allard in the exercise by Mr. Hooke, in his capacity as Provincial Secretary, of his discretion under The Trust Companies Act, nor warranting any inference of any such influence being exercised. Indeed, the evidence establishes that Mr. Hooke and Dr. Allard did not know each other at that time.

(b) Power to take deposits

On the 17th of December 1958, Hughes wrote a memo to Mr. Hooke as Provincial Secretary, which stated:

"Re: The North-West Trust Company Limited

When the above company was registered on July 23rd, 1958, we required that the Articles provide stringent restrictions on investments. Subsequently, Farmers & Merchants Trust Co. Ltd. were reinstated with restrictions that were not as stringent as those placed on The North-West Trust Company Limited. You agreed that the same restrictions should apply to both and, therefore, it is recommended that the attached consent be given to the amendment of the Articles of The North-West Trust Company Limited."

On the same date a letter was sent by Mr. Hooke, as Provincial Secretary, to North-West Trust, giving consent to the amendment of Sections 100 and 101 of the Articles of Association of North-West Trust, to provide:

"100. The Company shall at all times maintain cash on hand & on deposit, debentures, bonds, stocks or other securities, of a kind referred to in Sub Section (1) of Section 3 of the Trustee Act being Chapter 346 of the Revised Statutes of Alberta, 1955, and loans payable on demand fully secured by such securities to an aggregate amount of at least 40% of the amount of money deposited with the Company."

"101. The investment of trust funds and moneys received by the company on deposit shall be restricted to investments to be made of trust funds authorized by the Trustee Act of the Province of Alberta from time to time."

Mr. Hooke was succeeded by The Honourable A. R. Patrick as Provincial Secretary, on the 1st of September, 1959.

The Trust Companies Act, Alberta Statutes 1960, Chapter 110, repealing The Trust Companies Act, R.S.A. 1955, Chapter 345, specifically empowers trust companies to receive deposits of money, repayable on demand, and makes provisions with respect to liquid revenues to be maintained on hand.

Hughes testified with respect to the power of the trust company to take deposits, that his objection was not to the taking of deposits; his concern was to assure that there was protection to depositors. He stated that Farmers and Merchants Trust was permitted to take deposits from the time of registration as an active trust company, a power conferred by its charter. There was nothing, he said, in the file or from any other source to indicate that Allard or his solicitor had seen Mr. Hooke

with respect to the power to take deposits.

He stated that the purpose of the letter referred to above, to North-West Trust dated the 17th of December, which he said was prepared by him, initialed by him, and sent to the Minister for signature, was to place North-West Trust on the same footing as Farmers and Merchants, which was the basis of his discussion with Mr. Hooke recorded in the memorandum of that date.

Hughes, prior to being Deputy Provincial Secretary, had been Registrar of Companies and Superintendent of Insurance, and then Secretary and Accountant of the Attorney General's Department. He agreed with the suggestion that when in these positions his recommendations to his Ministers were not always accepted; that it was his duty to make such recommendations. Beyond that it was his understanding that the Minister and the Government laid down the policy and that it should be carried out by the Deputy and his staff. He said if he had been required to do anything that compromised his conscience he would have forthwith resigned.

M. A. Miles, Managing Director of North-West Trust, stated that when he became managing director he was convinced that deposits were necessary as part of the company's business, and he went to see Mr. Hughes for the purpose of discussing this with him, accompanied by Matheson and Macdonald. These discussions, he said, took



place in late November or early December 1958. He said that he took the position with Mr. Hughes that the taking of deposits was an essential part of a trust company business; that Farmers and Merchants Trust at that time had that right and he thought that the same privilege should be extended to the North-West Trust. At that time there was no legislation preventing them from taking deposits. He stated that Mr. Hughes agreed that they should be able to take deposits and that this would be his recommendation.

Dr. Allard stated that it was Miles who thought it would be wise for the company to take deposits, and that he and Miles met with Hughes to discuss the matter, but that they were not allowed to take deposits until February 1959. He said that he did not at any time have any discussion with Mr. Hooke with respect to the taking of deposits.

The evidence with respect to North-West Trust being granted power to take deposits establishes that the approval of Mr. Hooke as Provincial Secretary was given on the advice of his Deputy Minister, E. R. Hughes, for the reasons stated by him above. There is no evidence indicating that this approval was in any way influenced by Dr. Allard, directly or indirectly. Mr. Hughes was described by Mr. Macdonald in his testimony as "a knowledgeable and most conscientious civil servant". This was the impression he conveyed when he appeared before this Commission.



(c) Northwestern Utilities building lease

On the 28th of April 1959, a lease was entered into between Mayfair Leaseholds Ltd. and the Department of Public Works, with respect to a building situated on 104th Street, Edmonton, having the legal description Lots 189 to 192 inclusive, Block C, Hudson Bay Reserve, Edmonton Plan B-1 (hereinafter referred to as "the Northwestern Utilities building"). The lease was signed by Mr. Hooke as acting Minister of Public Works.

The chronological sequence of events relative to this lease are as follows:

On the 4th of March 1959, North-West Trust wrote a letter to Northwestern Utilities Limited offering to purchase the Northwestern Utilities building on 104th Street, legally described as Lots 187, 188, 189, 190, 191, 192, Block 4, Plan B-1, Hudson Bay Reserve, Edmonton, for \$375,000.00 and enclosed a cheque by way of deposit.

On the 9th of March, Northwestern Utilities replied advising that the offer was not accepted, and returned the deposit.

On the 10th of March, a P. Giannone wrote to North-West Trust offering the property for \$380,000.00.

On the 13th of March, by agreement for sale, Northwestern Utilities sold the property to Elizabeth C. Peets and Donat Properties Ltd. (apparently representing Giannone, who had offered to purchase the property), for

the sum of \$360,000.00.

On the same date, North-West Trust wrote to Premier Manning to the effect that clients of theirs had recently acquired the Northwestern Utilities property on 104th Street, and asking to be advised if the government was interested in renting the building at \$2.75 per square foot, and \$15.00 for each parking stall.

On the same date, M. A. Miles, Managing Director of North-West, wrote to Peter Elliott, Executive Secretary to the Premier, enclosing a copy of the letter to the Premier, with the remark "in case I have directed this letter to the wrong quarter".

On the 26th of March a letter was written by Arthur Arnold, Deputy Minister of Public Works, to North-West Trust, stating that he had been instructed by his Minister, the Honourable James Hartley, to negotiate a lease with them for the Northwestern Utilities building at the rate of \$2.50 per square foot, and stating that as he would be absent from the city for three weeks, they should contact his Assistant Deputy Minister, or the Secretary of Maintenance.

On the 28th of March, on behalf of North-West Trust, Miles wrote to the Deputy Minister of Public Works advising that they had been instructed to accept the lease on the basis of the offer of \$2.50 per square foot for a term of five years.

An agreement to lease form was signed on the 6th of April, providing for a five year lease from the 1st of May 1959, at a monthly rental of \$5,416.66.

On the 8th of April a copy of the lease was sent to the Solicitor, Attorney General's Department, for approval as to form.

On the 20th of April Mayfair Leaseholds Ltd. was incorporated. Eight shares were issued to Zane Feldman, thirteen shares to Dr. Allard, and twenty shares to Ruth Superstein. Directors are shown as Dr. Allard and Jacob Superstein.

On the 21st of April, S. A. Friedman, Solicitor to the Attorney General's Department, wrote to the Supervisor of Property stating that he had been advised that the name Mayfair Leaseholds Ltd. would not be approved as lessor and asking that the lease be not executed until the name had been approved for the owners of the building. On this letter appears an endorsement in handwriting "I now understand that the name has been approved. S.F."

On the 24th of April a copy of the lease was sent by the Supervisor of Property, Department of Public Works, to the Director of Purchases, Purchasing Agency, for approval.

On the 27th of April the lease was returned by the Director of Purchases approved.

On the 28th of April the agreement for sale between Northwestern Utilities and Elizabeth C. Peets and Donat Properties Ltd. was assigned to North-West Trust for a consideration of \$380,000.00.

On the 1st of May the lease was assigned by Mayfair Leaseholds Ltd. to George M. Peacock, barrister.

On the 1st of May at 4:10 p.m., a transfer from Northwestern Utilities to North-West Trust, for a consideration of \$360,000.00, was registered, and at 4:12 p.m. a transfer of the property from North-West Trust to George M. Peacock, for a consideration of \$550,000.00 was registered.

Evidence with respect to this transaction was given by James Lloyd Harris, now president of Chartered Investments Limited, a company in Dr. Allard's group, in 1959 manager of a real estate agency in Edmonton; M. A. Miles, a management consultant; M. E. Stewart, president of Northwestern Utilities Limited; G. M. Peacock, a barrister and solicitor practising in Edmonton; E. E. Wilson, Property Administrator, Department of Public Works; Arthur Arnold, formerly Deputy Minister of Public Works; and Mr. Hooke.

Harris testified that the Northwestern Utilities building came on to the market some time in 1958, and during that year he showed it to a number of clients, including Dr. Allard. In March 1959, he again showed



Dr. Allard the building and obtained a written offer from him which he submitted to the Secretary of Northwestern Utilities, who advised him that he would have to take the offer up with his Board and that he would contact him the next day. The following day he was informed that the property had been sold overnight to another party.

On the same day as receiving this information, he testified, he was invited to meet a Mr. Giannone, and was advised that his group had purchased the property and was willing to sell it for a profit of \$50,000.00. He said he submitted this offer to Dr. Allard, who sent him back to Giannone, and after some negotiations extending over another day, a deal was made by which Giannone accepted a profit of \$20,000.00 on the deal. One of the reasons why he felt it was a good deal was because Superstein and his family owned four lots immediately to the north of this property, and he suggested to Dr. Allard that he should contact Superstein with the view to getting him involved, the combination of the two properties would then make it extremely valuable.

Miles stated that he started to work for Northwest Trust in the second half of 1958 when he was initially retained as a consultant, and in August or September was appointed managing director, which position he held until October 1961.

He gave as his reasons for the interest which he

and Dr. Allard and Superstein had in this building, the fact that at one time the use of the property for the car business of Crosstown Motors was seriously considered, Superstein's interest in the adjacent property, and also the possibility of renting it out to a national firm in the car business. The group interested in the purchase of the property and in offering to lease it to the Provincial Government, comprised Dr. Allard, Superstein, and Eagle Management Consultants Ltd., a company in which he and Dr. Allard shared an interest. This was the group who authorized the acceptance of the Giannone offer. He stated that Mayfair Leaseholds Ltd. was formed as a vehicle for ownership and operation of the property, and that North-West Trust held this property as trustee for Mayfair.

He stated that after various government officials had examined the property, he met E. E. Wilson, property evaluator, Department of Public Works, in the office of Arthur Arnold, Deputy Minister, and was advised then that the government would be interested in the rental of the building at \$2.50 per square foot.

He testified that he was present in the middle of April when Dr. Allard received a telephone call from New York asking him whether the Devonian Building was for sale, that Dr. Allard had stated that that building was not for sale, but that the Northwestern Utilities building

was for sale, and he quoted a price which he thought was \$550,000.00. The next day a Joe Tankoos was brought to his office by Dr. Allard, where they were joined by Superstein, and an offer of \$500,000.00 for the property was considered. In the following three or four days, in the course of a number of telephone calls, the offer was increased and finally, on the decision of Dr. Allard, a price of \$550,000.00 was agreed upon.

He agreed that the lease to the Provincial Government, although not then actually signed, did definitely have a bearing on the attitude of Tankoos as to how much he would pay for the property.

He gave the breakdown of ownership of the property as Northgate Leaseholds Limited one-sixth; Superstein three-sixths; Eagle Management Consultants one-sixth; Mayfair Motors Limited one-sixth.

He said that prior to his letter to the Premier of March the 13th, he had not had any discussions with the government; his reason for writing to Peter Elliott being that he had known him for a considerable time on a personal basis and having the expectation he would direct the offer where it was supposed to go. It was his own idea to write to the Premier. At that time, he said, he did not know Mr. Arnold, but may have met Mr. Hooke.

Stewart testified that early in 1957, when his company announced plans to construct a new building in



Edmonton, many calls were received from various real estate agents in the city and, as a result, all members of the Edmonton Realty Association were informed that the building was for sale. He gave as the reason for accepting the Giannone offer instead of the North-West Trust offer, as being that this offer of \$375,000.00 was a time payment of five years with a reduction clause that could have brought the total payment down to \$350,000.00 if the payments were accelerated, and so they preferred the cash offer of \$360,000.00 made by Giannone.

Company files referred to indicate that on the 29th of August 1957, Dr. Allard had offered \$300,000.00 for the property through the firm of Sydnie, Sutherland & Driscoll, and that on the 16th of May 1958, this company approached Dr. Allard with a view to having him reinstate this offer.

Peacock stated that he was agent for a firm of solicitors in Toronto who were solicitors for Amy Guest, an American citizen of very advanced years, who had a very substantial estate. He stated that as a result of certain changes in American and Canadian tax law, a substantial tax saving could be effected for her estate by the acquisition in Canada of real estate prior to her death. Because of her extreme age, it was imperative to acquire the property as quickly as possible, and to save



time it was acquired in his name personally, as trustee, and later conveyed to Amy Guest. He said he was authorized to pay \$550,000.00 for the property; that Tankoos-Yarman was a real estate and financing company in Toronto acting as agents for the financial interests of Amy Guest to acquire real property in Canada prior to her death. He agreed that the lease to the Department of Public Works was certainly a substantial element in the desirability of the purchase. When asked if he had had any communications with Mr. Hooke in this matter, he replied "None whatever".

Dr. Allard stated that he first became interested in the Northwestern Utilities building in 1957, when he was contacted by a Mr. Jack Aire, then employed by Sydnie, Sutherland & Driscoll. Subsequently he was approached by Mr. Lloyd Harris about the building, who induced him to inspect the building. He explained his interest in the building as being because it represented a fairly large number of lots together in the downtown area, with three lots additional to this occupied by the building available for parking or some other purpose, and as possible use for the operation of Mayfair Motors (one of his companies), for which this property appeared to him to be suitable.

In 1959 Mr. Harris, finding that Mr. Jake Superstein owned the property to the north, proposed to him that he and Dr. Allard should get together. Superstein at that time was a director of the trust company. This, he said,

heightened his interest in the property and they discussed acquisition of the property on a fifty-fifty basis. Prior to this discussion with Superstein he had discussed the purchase of this building with a Mr. Metcalfe, an official of Northwestern Utilities Limited, from whom he learned the asking price. After the first offer for the purchase of the building made on March the 4th, 1959, was turned down, Harris continued to be interested in the matter and relayed information to him that the Giannone group, who had purchased the property, were prepared to sell the property for \$380,000.00, which was \$5,000.00 more than the first offer.

He stated that at this time no effort had been made to lease this property and he stated that he felt that the building was to be used probably by Mayfair Motors Limited.

He stated that Superstein, who was not a shareholder of Mayfair Motors Limited, felt that it would be better to try and rent the building, and so the letter of March the 13th was written on his suggestion to Miles that he write to the government.

With respect to the sale of the building, he stated that he was acquainted with a Joe Tankoos, a real estate man living in New York, and whom he had met a few years previously, and who had expressed interest in purchasing the Devonian Building. Tankoos, he said at this

time was active in purchasing western Canadian real estate, mostly on behalf of clients in the United States who were elderly people, because of certain tax advantages which would accrue to their estates. He said that Tankoos phoned him sometime in April after the leasing of this property had been completed, and the next morning arrived in Edmonton and discussed purchase of the Devonian Building. Superstein entered into the discussion with Tankoos, and they placed a price of \$550,000.00 cash on the Northwestern Utilities building, and the property was sold on this basis.

E. E. Wilson stated that he did not have any knowledge of any negotiations or discussions with anyone prior to the letter to the Premier dated the 13th of March. All leases, he said, were referred to the Deputy Minister, his function being to examine all proposals with respect to the legal aspect of the people submitting the proposal to ensure that they were owners and that it was a bona fide offer.

He testified that in this particular case he checked into the title to the property and found it was registered in the name of Northwestern Utilities Limited. He reported this to the Minister and asked permission to speak to the proposed lessors. On permission being granted he contacted Miles, Managing Director of North-West Trust, who informed him that he had a registered interest, and expressed his surprise on learning that registration had



not been effected because their solicitors had been instructed to do so. He stated that Miles said that he would have to contact his clients to ascertain whether the documents showing their interest in the property could be made available, which he did. At this time he himself spoke to Dr. Allard on the phone, and told him it was absolutely necessary for him to see the document showing the interest of North-West Trust in the property, and if he did not get the document the doctor could forget the lease. The document, a letter from Giannone to North-West Trust dated the 10th of March, was made available to him. He stated that in conversation with Dr. Allard, he was told that the client mentioned in the letter to the Premier was Mayfair Leaseholds Ltd. This, he stated, was the only contact he had with Dr. Allard. On the Minister's instructions he then went to the Attorney General's Department to determine whether, in their opinion, the North-West Trust and their client had a registerable interest in the property and were in a proper legal position to offer the property for rental, and was advised that they had. The only variation in the principal terms of the original offer, he said, was that the rental was fixed at \$2.50 per square foot, and parking space was obtained without additional charge.

When asked if he had any information whatsoever of the intervention of Hooke in this transaction, he



replied "None whatsoever". Mr. Hooke was then acting Minister of Public Works in the absence of Mr. Hartley who was in England. He testified that it was he who took the lease to Mr. Hooke for signature, who went through the document with him, asked him pertinent questions on it, and signed it in his presence.

Arthur Arnold was then Deputy Minister of Public Works. He testified that the letter to the Premier was turned over to him by the Minister (then Mr. Hartley), to look into to see if the place was suitable. He, with three other departmental employees called the space committee, whose function was to look into this space anywhere in the province where it was required by the government, looked over the building and found it suitable. He said that the government departments directly concerned in this property, Purchasing and Welfare, had been shown the space and seemed satisfied. He stated that he had nothing more to do with the matter, as he then left with his Minister for England, but that he had initialled the lease for submission to the Minister.

He knew six weeks prior to the letter to the Premier that this property might become available. It had been advertised for tender and he had received two calls, one from a real estate salesman and another from a man by the name of Peets. The former, he said, claimed that he represented a group of people interested in buying the

building and asking for a commitment to rent, which he declined. He did not know P. A. Giannone. He was satisfied that \$2.50 per square foot was reasonable and fair rent at the time. He agreed with the suggestion that he would not put his initials on the lease until after the Attorney General's Department approved it as to form and agreed with the probability that he initialled the lease on or after the 27th of April, after the Director of Purchases had approved it and returned it to the Purchaser of Property.

Mr. Hooke testified that the letter from North-West Trust to Premier Manning never came to his attention at any time. He was then Minister of Municipal Affairs, and in the absence of the Minister, Mr. Hartley, who was in England, was acting Minister of Public Works. It was the policy, he said, that if a department required more office space the matter would be brought before the Cabinet by the Minister of that department, and if the Cabinet approved, the Minister of Public Works would be authorized to obtain such office space by lease. From then on steps would be taken by the Deputy Minister of Public Works and other civil servants, to locate and lease the required property. He stated that at the Cabinet meeting at which this particular matter was discussed, he was not present. The first time he heard of the matter was when he received a call from Mr. Jorgenson, Minister of Public

Welfare, he having been away himself for some little time. Mr. Jorgenson informed him that a lease had been arranged on a specific piece of property, and asked him if he would endeavour to sign it as soon as it came to his attention, because they were anxious to get on with the job of renovating and moving in; he said his signing the lease was a routine matter and nothing else. This took place in the latter part of April 1959, at which time he had only met Dr. Allard on the one occasion previously mentioned in 1958. He said that no one had spoken to him directly or indirectly with respect to the interest of Dr. Allard in the leasing of these premises.

The only connection Mr. Hooke is shown to have had with the lease of Northwestern Utilities Building to the Department of Public Works, was his signature on the lease as acting Minister in the absence of the Minister, the Honourable James Hartley. At that time he had only met Dr. Allard on the one occasion referred to earlier in this report. There is no basis for inferring that his signing the lease was anything other than a routine duty performed in his capacity as acting Minister of Public Works.

(d) Hooke transactions

Evidence was given with respect to four transactions in which Mr Hooke, Dr. Allard, and North-West Trust were variously involved:

- (i) A mortgage and an agreement for sale between Mr. Hooke and North-West Trust.
- (ii) The sale of shares in Doral Developments to Dr. Allard.
- (iii) A mortgage granted by North-West Trust to Maralena Ranches Ltd.
- (iv) Transfer of a lot by Mr. Hooke to Beaver Land Company.

(i) Mortgage and agreement for sale

On or about the 18th of February 1964, Mr. Hooke borrowed the sum of \$13,000.00 from North-West Trust on the security of a mortgage on Lot 15 and part of Lot 14, Block 22, Plan 1750 R Edmonton (hereinafter referred to as "the 99th Street property"), and at about the same time assigned an agreement for sale with respect to Lot 36, Block 19, Subdivision Plan 3346 P Edmonton, to North-West Trust (hereinafter referred to as "the 76th Avenue property").

A special condition imposed by the company with respect to the mortgage was that Mr. Hooke was required to deposit with the company the sum of \$10,000.00 bearing interest at 6%, which he was not entitled to withdraw until the mortgage was fully paid. It was further agreed that in



the event of default in payment of the mortgage, the mortgagee might apply the \$10,000.00 and accumulated interest on the balance then owing. In effect only \$3,000.00 was advanced on this mortgage.

The mortgage became due on the 1st of March 1965. On the 17th of March the mortgage department of North-West Trust wrote to Mr. Hooke pointing this out. On the 20th of April a further letter was written to him, pointing out that no acknowledgment had been received to the firm's letter, and requesting payment without delay.

A memo from J. J. Elliott, Managing Director of North-West Trust, to R. K. Turner, an employee, dated the 14th of May 1965, directed him to cash the \$10,000.00 deposit and apply it with accrued interest against the mortgage loan, to increase the mortgage loan to \$7,500.00 and pay the balance to Mr. Hooke, the loan to be at the same rate of interest as under the old mortgage, and repaid in equal monthly amortized payments on a ten year term. In due course a mortgage for \$7,000.00 was substituted for the prior one, which was discharged. A company account indicates that the balance owing on the original mortgage, after crediting the \$10,000.00 deposit and interest, was paid out of the proceeds of the new mortgage.

On the 1st of June 1962, Mr. Hooke had sold the 76th Avenue property to A. E. Flowers, under an agreement for sale, for the sum of \$34,906.50, payable in part by the

assumption of a mortgage. Concurrently with the negotiation for the mortgage on the 99th Street property, Northwest Trust purchased this agreement for sale from Mr. Hooke, on which there was a balance owing of \$25,800.00, for \$17,000.00.

Turner stated with respect to the mortgage and agreement for sale on the 99th Street and 76th Avenue properties, that these matters were referred to him by Mr. Elliott, the Managing Director, who asked him to inspect and appraise the properties and recommend or decline a loan. He inspected and appraised the properties and made his recommendations to Elliott and then carried out the legal instructions after the loan had been approved by the Board of Directors.

He reported the value of the 99th Street property at \$20,000.00 and the 76th Avenue property at \$35,000.00. In arriving at the valuation of the 99th Street property he used the comparable method by comparing sales and listings of similar properties.

A later appraisal report from the company files, signed by Turner, shows a valuation of \$12,000.00 for the 99th Street property made about a year later. When asked to explain this valuation he stated that it was done for the convenience of the accounting staff and auditors, and was a minimum value of the property, and would not agree with the suggestion that it was the actual value.

With respect to the 76th Avenue property, he based his appraisal primarily on the agreement for sale between Flowers, the registered owner, and Mr. Hooke. He stated with respect to this property that he was not given any particular instructions by Elliott as to how he should go about his valuation. He said generally with respect to these properties there was nothing unusual about them that he would not have done on any other property.

He said that in August 1964, Flowers gave a quit claim deed to North-West Trust, who in turn sold the property at a loss of approximately \$2,900.00. He explained the failure of Flowers to keep up the agreement for sale being due to deterioration in the rental market, the necessity for minor repairs, and Flowers not having any capital in reserve to take care of the situation.

He said that at no time was he approached by Mr. Hooke or anyone on his behalf as to this transaction or the valuations of the properties, and had no instructions to give a good value on them.

There was no written application form completed by Mr. Hooke in connection with these two transactions, nor were there written appraisals. He pointed out that written applications were not required on all occasions and that, on a guess, in a third of the cases they were not required; that until it came to his attention that it was



convenient for accounting and auditing purposes to have written appraisals, they were not too concerned about them. At the time he made these appraisals he had been trained as a real estate appraiser but did not become accredited until later. He confirmed that payments on the new mortgage on the 99th Street property have been kept up to date.

Dr. Allard testified with respect to these transactions that he had no recollection of having discussed this matter with Mr. Hooke.

Mr. Hooke stated that the 99th Street property when he purchased it, had on it two little cottages and a dilapidated converted store which was made into four suites. This property he purchased as an investment.

The 76th Avenue property was to begin with an old rooming house, which he renovated to contain five three-room suites, a two, and a single housekeeping room.

He said that his dealings and connection with these transactions were conducted with Miles and James Elliott and that he did not speak to Dr. Allard himself in any way in connection with this transaction, or invoke his help in any way, although he then knew that Dr. Allard was interested in North-West Trust. In selling the Flowers agreement to North-West Trust he said that he took a discount in the interest of saving the 99th Street property.



(ii) Doral Developments Ltd.

This was a private company, incorporated on the 8th March 1957, with an authorized capital of 25,000 ordinary shares of \$1.00 par value of which fifty fully paid up shares were issued to each of Mr. Hooke and Edward Prodor. On the 17th of April the company purchased the S.E.  $\frac{1}{4}$  of Section 22, Township 53, Range 23, West of the 4th Meridian from Peter Dersch of Edmonton for the sum of \$22,000.00, payable \$6,000.00 in cash and the balance in three annual payments.

On the 30th of October 1959, Mr. Hooke and Prodor sold their shares to Dr. Allard and Paris Investments Ltd. for the total sum of \$54,000.00, which included the sum of \$17,361.78 owing by the company to Mr. Hooke and Prodor, and the sum of \$13,500.00 owing to the bank on a demand note. A balance sheet for the company as at the 30th of September 1959, shows total assets of \$30,087.27, including the S.E.  $\frac{1}{4}$  of Section 22 at a valuation of \$26,141.00.

Dr. Allard testified that the shares in this company were offered to him by Campbell in the fall of 1959. He stated that when the sale of these shares was proposed to him he was not aware that the shareholders were Mr. Hooke and Prodor, and did not carry on any negotiations with Mr. Hooke for the purchase of these shares, although he did know when the agreement dated the 30th of October 1959 was signed that Mr. Hooke was in fact a shareholder. The

principal asset of the company, he said, was the forty odd parcels of land of from three to four acres, into which at least half of the quarter section had been subdivided. He bought these shares at a price he considered would make a profitable transaction, and considered the property had a market value in the neighbourhood of \$150,000.00. In the overall picture the property had turned out as he had hoped. He explained that the purchase was financed by North-West Trust, to whom there was a bonus of half of the profits. The transaction, he said, had proven to be a profitable one to the company.

Mr. Hooke testified that this company was formed by himself and Mr. Prodor for the purpose of purchasing the S.E. $\frac{1}{4}$  of 22-53-23-W. of the 4th, on which Mr. Hooke had obtained the first opportunity of purchase from the owner Dersch. Prodor was an operator of big equipment in road work and construction work generally.

Some development work was done on the land by Prodor with heavy machinery cutting down hills and filling sloughs for the purpose of the development of the land into small holdings. An application was in fact made for subdivision of a portion of it into three-acre parcels but Mr. Hooke stated that he did not play any part with respect to this subdivision.

Not wishing to engage in land development, he proposed to Prodor that he take over his interest in the

company. Prodor indicated that he would just as soon get out also, and so Mr. Hooke spoke to Campbell, who was in the real estate business, and gave him the right to dispose of it. At the time this disposition took place on the 29th of October 1959, Mr. Hooke did not believe that his second meeting referred to above with Dr. Allard, had yet occurred, and he did not have any discussion with Dr. Allard at any time with respect to this matter, nor was he aware that Dr. Allard was the intended purchaser of the shares until Campbell indicated that he had found a buyer. He believed that he first became aware that Dr. Allard was the purchaser when he went to his solicitor, Henning's office, to sign the necessary documents in connection with the transaction.

(iii) Maralena Ranches Ltd.

This was a private company incorporated in 1958, having an authorized capital of 20,000 ordinary shares with a par value of \$1.00, of which two shares were issued, one to E. W. Ball and one to Mr. Hooke, who were the directors.

On the 14th of September 1959, North-West Trust loaned this company the sum of \$20,000.00 secured by a mortgage on three parcels of land comprising the W.  $\frac{1}{2}$  of Section 14, Township 51, Range 20, West of the 4th Meridian, and part of Section 23, Township 52, Range 23, West of the 4th Meridian, comprising eighty acres. In addition to



securing this loan with this mortgage, Mr. Hooke and Ball were to each sign a personal note payable to the company.

Dr. Allard stated that the mortgage application was brought to the management committee by Miles, who conducted the negotiations between the trust company and Mr. Hooke. The committee comprised Messrs. Belzberg, Matheson and Macdonald, in addition to himself and Miles. A quorum of three, he said, were required to be present for a management committee decision. Mr. Hooke, he said, did not speak to him about this loan.

In a statement of assets and liabilities filed by Mr. Hooke with North-West Trust in connection with this mortgage, the value of his half interest in the eighty acres in the S.E. $\frac{1}{4}$  of Section 23 is shown as \$4,000.00, and the purpose of the loan was shown as being to secure title to this eighty acres and to purchase the W. $\frac{1}{2}$  of Section 14 at a cost of about \$14,000.00.

Dr. Allard, when asked if the trust company was in effect lending \$20,000.00 on a property valued by Mr. Hooke at \$18,000.00, replied that the eighty acres known as East Whitecroft was not far from land that Beaver Land Company, in which he had an interest, had paid \$500.00 an acre for, and that the valuation for this eighty acres would be at least \$500.00 per acre. At this time they were selling acreage parcels a short distance away for approximately \$1,000.00 per acre and he considered the loan well



secured. While no actual valuation was made by an appraiser, the value would have been discussed by the management committee. He agreed on cross-examination that the promissory note which was to have been provided by Mr. Hooke was not obtained and that the mortgage was in default after the payment of interest due in March 1960. The three parcels of land were purchased by one of his companies in 1961 and the mortgage paid off.

Mr. Hooke stated that the formation of this company by him and Ball, a next door neighbour, arose out of their both having had horses and deciding to go into a venture to provide riding facilities in close proximity to Sherwood Park in Edmonton. They also wanted to have cheap land further distant for raising feed and providing pasture, which was located at Lindbrook, or twelve miles west of Tofield, and in addition to that they obtained a lease on 180 acres at the north end of Cooking Lake. The mortgage was for the purpose of buying the land at Lindbrook at a cost of \$14,000.00, and to provide some capital for the purpose of purchasing horses, approximately ninety-three being purchased. He said that there was no particular reason in selecting North-West Trust for this loan, other than the fact that he is a strong believer in supporting Alberta and Edmonton companies wherever possible.

(iv) Beaver Land Company

Beaver Land Company was incorporated in 1959 with an authorized capital of 20,000 non-capital shares, of which 900 were issued fully paid up, of which Campbell held 300 shares, Paris Investments 270 shares, and North-West Trust 240 shares. Dr. Allard and Campbell were directors. In 1961 Campbell transferred his shares in the company to Paris Investments.

The only connection that Mr. Hooke is shown to have with this company was through E. W. Ball, from whom he had purchased a lot. Ball wished to retain a lot out of some lands on which he had given an option to Campbell and which had been acquired by Beaver Land Company. Ball bought back the lot he had sold to Mr. Hooke and exchanged it with Beaver Land Company for the lot he retained. The exchange was effected by Mr. Hooke transferring the lot directly to the company.

Mr. Hooke, on being shown a letter dated the 9th of November 1959, addressed to him from Beaver Land Company Ltd. with respect to this transaction, said that he did not know at that time that such a company ever existed, and that the transaction was simply a property transfer effected to accommodate Mr. Ball.

With respect to Beaver Land Company, Dr. Allard stated that in June 1958, on the suggestion of Mr. Hartley Bell, who was an employee of Imperial Oil Limited, he met with

John Campbell, who was in the process of developing a cemetery which might provide long term perpetual care funds which could be deposited with the trust company. As a result of this, a syndicate known as Beaver Land Company was formed to promote the development of this cemetery. Paris Investments was one of the members of this syndicate. In addition to the cemetery land, a syndicate was also formed to hold some forty odd parcels of land nearby, suitable for small holdings. This syndicate in due course was replaced by two companies: Beaver Land Company which was to develop the subdivisions in the acreage portion, and Eastwood Memorial Gardens Limited which was to develop the cemetery. He stated that Mr. Hooke's name was never mentioned in connection with these transactions, that he never discussed them with Mr. Hooke and was not aware that Mr. Hooke had any interest in them, directly or indirectly.

None of the foregoing transactions warrant an inference of special treatment being accorded to Mr. Hooke by or on behalf of Dr. Allard, or that the office held by Mr. Hooke played any part in them.

The conditions attached to the 99th Street property mortgage assured North-West Trust security of \$10,000.00 in addition to the mortgaged property. This security was in fact realized; and the amortized payments on the new mortgage were kept up.



The price paid for Mr. Hooke's equity in the 76th Avenue property was considerably less than its apparent value, then based on the price at which Mr. Hooke had purchased this property two years before. The explanation given by Turner of the reasons for the loss to North-West Trust is a reasonable one.

The security for the Maralena Ranches property mortgage is not shown by the evidence to have been inadequate.

The Beaver Land Company transaction was a purely routine property exchange effected to accommodate Ball, a neighbour, friend and business associated of Mr. Hooke's.

(2) Paris Investments Limited.

This company was incorporated in 1958 with an authorized capital of 20,000 no par value shares, all of which were issued, 12,999 to Dr. Allard, one of his wife, and 7,000 to Zane Feldman. Dr. Allard and his wife were directors until 1962 when Feldman was added as a director. On the first of March 1963, Paris Investments applied to one Edmonton Treasury Branch for a credit of \$1,500,000.00. The credit was approved on the 10th of April.

The circumstances under which this credit was granted were related by C. G. Davey, Superintendent of Treasury Branches, who stated that the application was for a continuing credit, which he explained as being the same



as revolving credit. He stated that prior to the application the Treasury Branches had dealt with Crosstown Motors Division, Devonian Motors Division, Mayfair Motors Division and Premium Investments Limited, all of which companies were controlled by Paris Investments Limited, and that the purpose for the application was for Paris Investments to do the borrowing for these companies and then in turn assist them with the credit obtained from the Treasury Branch.

He stated that in addition to the assets of Paris Investments, which comprise all the assets of these companies, additional security was required in the form of a letter of guarantee from Dr. Allard in the amount of \$1,500,000.00 and one from Zane Feldman for the same amount; a postponement of claim by Dr. Allard and Zane Feldman; a general assignment of book debts to be taken from Crosstown Motors Division, Devonian Motors Division, Mayfair Motors Division, Edmonton Import Car Centre Division, Edmonton Car Rentals Division, Gibraltar Leaseholds Limited, Doral Developments Division, Paris Investments Limited; letters of guarantee from Premium Investments Limited in the amount of one million five; letters of guarantee from Gibraltar Leaseholds Limited in the amount of one million five; and then a general debenture between Paris Investments and the Provincial Treasurer covering all assets of all companies and divisions including equities in land and buildings. He stated that at the time of the application the four companies

had authorized credit aggregating \$930,000.00.

The application, he stated, was considered by the Loans Committee, comprising himself as Chairman and two other officials now retired, which, he said, was the final authority for approval of such loans. In due course, a debenture comprising a floating charge against all of the assets of Paris Investments was granted and registered with the Registrar of Companies, having been approved by the Attorney General's Department.

He stated that he was satisfied with the operation of this account and while admitting that it was a very large loan and was about as far as they would go, pointed out that they had since made larger loans.

He said that it was he himself who first approached Dr. Allard to get this account; that he felt that Dr. Allard was a man of "high integrity, energetic, a good manager and a good business man". He knew of no connections or influence of the doctor with the provincial government. He declared that he had no contact with Mr. Hooke at any time, and that Mr. Hooke had nothing to do with this transaction.

Dr. Allard related the background of this loan thus: He was absent from Edmonton for five years prior to 1948 doing post-graduate work. In his absence his family bought some property on Jasper Avenue. On his return to Edmonton in about November 1948, finding a shortage in office

space, he became interested in building a professional office building on this property. Original plans called for a three-storey building, but considering it desirable to enlarge the building to seven storeys, and being unable to get financial assistance to do this from a chartered bank with which he dealt, on the advice of a friend, he approached the Treasury Branch, No. 1 Edmonton Branch, and obtained sufficient credit to enable him to build the building, after the matter was discussed with the manager Mr. Gavin and the members of the Supervisory Board. He stated that he did not speak to anyone other than the direct employees of the Treasury Branch with respect to this request for a loan.

In about 1954 he became associated with a Mr. Feldman and joined with him in starting Crosstown Motors and, in the same year, they incorporated a company which eventually became known as Paris Investments Ltd. By 1959 he and Feldman were operating several other companies in the automotive field, which included Mayfair Motors Limited, Paramount Motors Limited, Devonian Motors Limited and Edmonton Import Cars Limited, and held several dealers' franchises. In this business they were engaged in the buying and selling of new cars at wholesale and retail, in used cars, and other services related to this business.

They later acquired a large block of land on Jasper Avenue between 111th and 112th Streets, where they



carried on a car business under the name of Devonian Car Sales. In due course this business was moved from this site and a building constructed on it known as the Devonian Building. This building was owned by a company formed for that purpose called Gibraltar Leaseholds Limited, in which Paris Investments held 97% of the shares, the remaining shares being held by one Mr. Belzberg. The building was entirely leased by Imperial Oil Limited. The finances for the construction of this building were obtained from the Treasury Branch and the negotiations for this loan were conducted in the same way as the previous loan for the Northgate Building.

He continued to deal with the Treasury Branches, but not exclusively, his companies having borrowed at the time this credit was applied for, approximately three-quarters of a million dollars from chartered banks and other lending institutions. Around the end of February or March, he said Davey indicated to him that the Treasury Branch would like to have all the business of Paris Investments and the various other related companies. He said that he was agreeable to this, but pointed out that it would be necessary that the Treasury Branch take over the various credits that his company had at other banking institutions, necessitating a total amount of credit in the sum of \$1,500,000.00. He stated that he dealt with the local manager and Mr. Davey in connection with this matter.



When asked if he had had any discussions about this line of credit with anyone in government office, other than Treasury Branch officials, he replied "No, sir, definitely not".

Mr. Hooke testified that he did not have any hand whatever in the loan granted by the Treasury Branch to this company. He did not know about it at the time, he said, because it would be impossible for him to know.

There is no evidence in any way linking up Mr. Hooke with this transaction. Any suggestion that he influenced the granting of credit by the Treasury Branch to Paris Investments is speculation without any foundation of fact.

(3) New Fort McMurray.

Fort McMurray is situated northeast of Edmonton at the junction of the Athabasca and Clearwater Rivers. Nearby are large oil deposits, commonly referred to as "oil sands" or "tar sands". On the 30th of June 1964, the new town of Fort McMurray was established by virtue of the provisions of The Planning Act, Statutes of Alberta 1963, Chapter 43.

In the spring of 1964 Chartered Investments Limited, in which Dr. Allard and J. L. Harris each held half the issued shares, purchased sixteen acres of land adjacent to the main business section of the Town of Fort McMurray, on which a shopping centre was constructed.

J. L. Harris related the manner in which Chartered Investments acquired this land. He stated that in the spring of 1964, after it had been announced that development was likely to take place with respect to the tar sands at Fort McMurray, he went there for the purpose of looking around and finding out if there was anything there that his company, Chartered Investments, could be interested in from a development point of view.

On looking the situation over, he came to the conclusion that the logical piece of land for development was that belonging to the Roman Catholic Diocese, immediately adjoining the existing downtown area. It was the only piece of land in that area consolidated in one parcel. He stated that he contacted Father Lesage, from whom he learned that they had already received an offer from Fort McMurray Land Limited, an Edmonton land company, and that he thought the Bishop would probably sell it for \$2,000.00 an acre. On his return he communicated this information to Dr. Allard and recommended that the land be purchased. Dr. Allard said he would immediately contact the Bishop, which he did, and a sale for this price was consummated. He stated that the land now would have a value in excess of \$100,000.00 and that the total complex would have a value in excess of one million dollars.

He said that he did not have any discussions with Mr. Hooke with respect to this matter before or after his

visit to Fort McMurray nor did Dr. Allard, to his knowledge.

On his first visit to Fort McMurray he contacted the Secretary-Treasurer of the town, who informed him that provincial government planners were assisting them in the preparation of plans and that local business men in the main part of the town were pressing to have the development occur close to the main business section, which was favored by the Mayor.

He was told to contact the head planner of the Department of Municipal Affairs and discuss the matter with him, which he did on several different occasions, with respect to various development plans. The plans adopted were discussed at various times with the Town Council by himself and provincial planners, and the final recommendations of the planners were submitted to a public meeting in the community in which the public took part in the discussions and the recommendations of the proposed development were adopted by a vote of five to one. The decision was made that this particular shopping centre in this area was to go ahead on condition that construction was commenced within one week. Construction was, in fact, commenced within forty-eight hours.

Dr. Allard testified that it was Harris who got him interested in Fort McMurray, and following his visit to Fort McMurray in February or March 1964, when Harris reported to him his conversations there with town officials and



Father Lesage of the Oblate Mission who had sixteen acres of land adjacent to the main business section of the town, he contacted Bishop Piche in whose diocese the mission was located, and agreed to purchase this sixteen acres of land from the Mission for \$2,000.00 per acre. He visited Fort McMurray after this meeting with Bishop Piche. He stated that he did not have any part in the determination of the zoning, nor anything to do with the Provincial Planning Board with respect to the zoning. His only communication with anyone on the Planning Board, he said, was with the Deputy Minister of Municipal Affairs, Morrison. This was done because after the Town Council had approved zoning the area in which his company was interested as commercial, Fort McMurray Land Development Limited, a rival group seeking to promote a commercial development at Fort McMurray, had gone to the Board to have the zoning changed. He phoned Morrison to say that he did not think because this company had not succeeded in purchasing the church land, that it should be rezoned to something else. That, he said, was the full extent of his communication with the government, including Mr. Hooke. The zoning was not changed.

He stated that he knew Mr. Hooke was the Minister in charge of the Act under which the new town was administered, but that he had only discussed Fort McMurray with Mr. Hooke on one occasion, and that was after the land had been purchased, and following the last meeting at the



South Bend Motel, referred to later in this report, when Mr. Hooke told him that the subject had been brought up at that meeting, and had expressed surprise that Dr. Allard was interested in Fort McMurray. He stated that Mr. Hooke had not received by way of nomination or beneficiary any shares in any of his companies that were interested in Fort McMurray.

On the 15th of July 1965, Akron Development Limited, a company with head office at Calgary, in which E. Romaine and S. G. Romaine were officers, entered into a lease agreement with the Department of Public Works under which the company agreed to lease a building in Fort McMurray to the Department for a period of five years from the 1st of March 1965, with an option to renew and an option to purchase during the term of the lease, and its renewal at a sum to be mutually agreed upon. The lease was signed by Honourable F. C. Colborne, Minister of Public Works.

Dr. Allard gave evidence to the effect that Chartered Investments and North-West Trust each acquired a quarter interest in Akron Development; that at the time these interests were acquired the Romaines had either a written undertaking or a firm understanding with the provincial government that the government would in fact lease the building. The building was constructed after this half interest in Akron Development had been purchased by Chartered

Investments and North-West Trust. He declared that he had nothing to do with the actual negotiation of the lease. The provincial government bought the building in the fall of 1966 or spring of 1967, a total profit of approximately \$70,000.00 being realized on the sale, of which one-quarter went to each of Chartered Investments and North-West Trust. He stated that the sale was arranged by E. Romaine, and that he himself did not have any conversation with anyone, apart from the members of Akron Development, regarding the sale of this building and that he did not discuss either the lease or the subsequent sale of the building with Mr. Hooke.

Mr. Hooke's evidence was to the effect that he did not have anything to do in his capacity as a Minister of the Crown, or otherwise, in this development at Fort McMurray. He stated that on one occasion, when the Council of Fort McMurray made representations to the Department of Municipal Affairs with respect to the possibility of joining the two towns of Waterways and Fort McMurray, in company with another Minister he went to Fort McMurray to find out first-hand what the proposal was about. This occurred, he said, early in 1963. He stated that when the actual development of Fort McMurray came about, he was then ill. It had been decided that the only way to operate Fort McMurray would be under the new Towns Act, and a Cabinet committee was set up with Mr. Patrick as Chairman. He said that he

was never connected with this committee in any way, shape or form; that when he came back from sick leave the committee was well in operation; that he was never consulted in this matter and that the committee carried on the entire development at Fort McMurray, and still does. He stated that he had not had any discussions with respect to the development of Fort McMurray with the Provincial Planning Board or with Dr. Allard, in fact he stated that he was surprised when he learned from the latter that he had land there.

The evidence with respect to this development at Fort McMurray by Chartered Investments establishes that it was not effected or assisted through any intervention on the part of Mr. Hooke.

(4) Regent Towers.

Regent Towers is an apartment building in Victoria owned by Paris Investments Limited. Mr. Hooke occupied accommodation in this apartment for a period of some ten days to two weeks in January 1964, and again in June of the same year, rent free.

Dr. Allard stated that the accommodation comprised a guest suite which was maintained for the use of guests of tenants of the apartment. It was, he said, an ordinary suite. He related the circumstances under which Mr. Hooke went to Victoria on these two occasions. Mrs. Hooke had become a



patient of his in 1960 and he had performed an operation on her in October of that year. He recalled meeting Mr. Hooke at the hospital when he came to visit his wife. Subsequent to Mrs. Hooke leaving the hospital, minor complications resulted in his making a few house calls to see her. He recalled the occasion on which Mr. Hooke gave his daughter a Shetland pony as a gift, which resulted in her acquiring a lasting interest in riding and jumping, in which she became accomplished. This led to the two families attending horse shows together and becoming friends. He stated that he also had performed surgery on Mr. Hooke's mother, and on his brother-in-law, H. L. Spady.

In July 1963, Mr. Hooke, he said, had semi-collapsed at Rocky Mountain House, and was brought to hospital at Edmonton as his patient. On diagnosis he felt that the underlying factor of Mr. Hooke's illness was exhaustion. He was just working too hard. He recommended that he should get away for a month or six weeks. Mr. Hooke did not get away in 1963. Finally, in 1964, Dr. Allard said he suggested to him that if he had no other place he particularly wanted to go to, he go out to Victoria, and that he was welcome to use the guest suite in Regent Towers. He stated that Mr. Hooke offered to pay for the use of the suite, but he would not accept payment. Mr. Hooke had not used any of his apartments other than on the two occasions mentioned above.



When asked by counsel for Dr. Allard whether from 1958 up until the first of December 1967, he had ever granted Dr. Allard any favors by using his office as a Minister of the Crown to give him any advantage, Mr. Hooke replied "None whatever", and when he was asked if Dr. Allard had ever tried to obtain from him a favor by asking him to use his office as a Minister of the Crown to do it for him, he replied that he certainly had not.

In the light of the conclusions I have reached with respect to the foregoing transactions to which Mr. Hooke and Dr. Allard were variously connected, of the professional and personal relationship existing between them, and of the circumstances under which Mr. Hooke accepted accommodation at Regent Towers, any inference that the provision of this accommodation by Dr. Allard and its acceptance by Mr. Hooke without payment, represents a quid pro quo for favors conferred by Mr. Hooke, is unwarranted.

## 7. CITY OF EDMONTON LAND TRANSACTIONS

This area of the inquiry relates to certain transactions between Ideal Homes Limited (to which reference has already been made in this Report), and the City of Edmonton, between Mr. Hooke and the City, and other matters arising out of these transactions or related thereto. For purposes of convenience they will be referred to under the following headings:

- (1) Ideal Homes - City of Edmonton land transactions.
- (2) Capilano land exchange.
- (3) South Bend Motel meetings.

### (1) Ideal Homes - City of Edmonton Land Transactions

In 1950 Ideal Homes carried on the business of the construction of houses, the manufacturing of prefabricated houses in the City of Edmonton. These operations were conducted on premises located west of 127th Street on 126th Avenue, which property was bordered on the north by the C.N.R. right-of-way. The property, comprising Lots 12 to 20, Block 38, Bronx Plan 2090 H (hereinafter referred to as "the Bronx lots"), was leased from the City of Edmonton under a two-year lease commencing in 1950. During the period 1952 to 1964, Ideal Homes became involved in various transactions and negotiations with the City of Edmonton, all of which

originated from this lease. These transactions will be referred to under three headings:

- (a) The Bronx lease.
- (b) Wellington Park rezoning.
- (c) Buena Vista land exchange.

(a) The Bronx lease

In May 1952, the City Land Department notified Ideal Homes that the Bronx lease was up for renewal. The company applied to buy the lots, but was advised in writing on the 30th of June that the City was not prepared to sell, but would renew the lease if the company so required.

Ideal Homes then assigned the lease to Mr. Royer, mentioned earlier, who signed a two-year lease with the City from the 1st of July 1952. This lease was subsequently assigned twice and renewed. In 1957 the lots were sold by the City and in 1958 were zoned industrial.

Mr. Hooke gave evidence to the effect that Ideal Homes had leased these lots on a verbal understanding that it would have first chance of purchase; that he had been informed by City Commissioner Menzies verbally that it was doubtful that the lease could be extended for even another year, owing to the fact that the zoning of the area was not yet completed, and advised the company to immediately try to secure a site of its own.

S. C. Rodgers, Director of Planning for the City, stated with respect to the Bronx lots that the problem facing the City and the Planners at that time was whether the property should be residential or industrial. There were a number of houses there in the immediate vicinity but the lots were adjacent to railway trackage and were separated from newly developing residential areas south of 125th Avenue.

D. B. Menzies, City Commissioner, gave evidence to the effect that sometime after the end of the war a by-law was passed suspending the zoning of land and under enabling legislation all City land went under what was called "Interim Development". He stated that Mr. Hooke approached him and inquired if he gave up the lease which he had to the Bronx lots where he was carrying on a pre-fabricating business, would he be permitted to transfer that operation to a property on which there was a chicken-house, being Lots 3 and 4, Block 1, Plan 7416 R Wellington Park (hereinafter referred to as "the Wellington Park lots"). Menzies told him he thought that if he took the proper steps he probably could get permission from Council or from any of the boards that handled matters of that kind to carry on this business until such time as it again became apparent as to what the ultimate use of that land was to be.

In the result, Ideal Homes acquired ownership to the Wellington Park lots as an alternative site for its operations.



(b) Wellington Park rezoning

Following is the chronological sequence of events with respect to this property.

The Wellington Park lots were zoned agricultural, and had been since 1933. During the period 1952 to 1965 many attempts were made by Ideal Homes to have these lots rezoned for industrial, commercial, or medium density apartment purposes, as appears in the following sequence of events.

On the 27th of May 1952, an application for permission to convert an existing building on Lot 3 for building storage and workshop was considered by the Interim Development Appeal Board and was tabled with a view to an exchange of property being arranged.

On the 15th of July 1952, an application to use this property for industrial purposes was turned down by the Interim Development Appeal Board.

On the 2nd of November 1952, a development permit was requested by Ideal Homes.

On the 7th of November 1952, an application to use the building on Lots 3 and 4 as an office, storage and prefabricating shop for a two year period was granted by the City.

On the 23rd of November 1954, an application by I. E. Millard, of Acme Pipe & Supply Co. Ltd., a company which proposed to take over Ideal Homes Ltd., for permission

to use Lot 3 for five years for the purpose of operating and manufacturing concrete pipe in conjunction with the existing wholesale lumber and supply business, was refused by the Interim Development officer and on appeal of this decision to the Interim Development Appeal Board, was tabled for future decision.

On the 7th of December 1954, the Board granted a three year permit to carry on light industrial operations on this property.

In November 1957, an application was made to change the classification of these lots from agriculture to commercial to permit an hotel on the property. The application was refused by the Interim Development Appeal Board of the City of Edmonton.

On the 14th of October 1958, the City notified Campbell of a proposed replotting with respect to Lots 3 and 4, and enclosed a consent to such replotting for his signature. This consent was not received by the City.

By replotting procedure, Lots 3 and 4 became Lots 19 and 20, Block 32, and Lots 17 to 23, Block 33, Plan 5570 K.S. Edmonton, and title to these lots was registered in the name of Campbell on the 30th of December 1958, as a non-consenting owner of this property in the re-plot. Campbell held these lots in trust for Ideal Homes.

In 1961 some of the lots were zoned R-1 (single family dwelling), and some R-2 (two family dwelling).

On June 22nd, 1963, an application was made by Campbell to rezone all these lots to C-2 (a broad range of commercial uses). This application was made to the City Technical Planning Board and was opposed by the Planning Department and was then taken before the Municipal Planning Commission on the 25th of July 1963, which also opposed the application. Campbell was advised of his right to proceed further to City Council and have the matter considered there, but no further steps were taken by him.

On the 17th of May 1965, the Chief Planner advised Mayor Dantzer by letter that the frontage lots on 127th Street appeared suitable for rezoning to R-3, which is a higher residential density classification.

On the 22nd of June 1965, an application was made by Campbell to the City Planning Department to change the R-1 lots to R-2 and the R-2 lots to R-5, R-5 being a medium density apartment zone. This application was considered by the Municipal Planning Commission on the 22nd July 1965, and the Commission recommended that Council proceed with an amending by-law in order that the matter could be considered after a public hearing. City Council agreed with this and a by-law was prepared and was given first reading. A public hearing took place before City Council on the 23rd of August. However, after the public hearing and consideration by Council, on the 13th of September 1965, Council decided that the zoning be not changed. City records



indicate that with respect to this proposed rezoning a petition was received carrying the signatures of three objectors, and another petition was received in which seventy-five to eighty property owners were favorable to the rezoning.

On the 3rd of November 1965, in a letter addressed to the Secretary of the Municipal Planning Commission, Commissioner Hamilton requested the Commission to advise on the most intensive residential use that it would be prepared to support on this property.

On the following day, 4th November, the Planning Commission recommended that R-4 residential use be considered for lots fronting on 127th Street.

The City Commissioners reported this recommendation to Council and on the 14th of February 1966, a by-law was passed which changed the zoning on these frontage lots from R-2 to R-4, which zoning is still in effect.

(c) Buena Vista Land Exchange

Concurrent with the various attempts to have the Wellington Park lots rezoned, in 1964 as an alternative solution to the problem of Ideal Homes, efforts were made to effect an exchange of these lots for other lots owned by the City.

On the 27th of April 1964, in a report submitted by the City Commissioners to the City Council, it was



recommended that the Council approve an exchange of the Wellington Park lots for Lots 25 to 28, and Lots 50 to 54, Block 5, Plan 5237 K.S. Buena Vista, all belonging to the City, except Lot 26 (hereafter referred to as "the Buena Vista lots"), with a final cash settlement by Ideal Homes to the City in the sum of \$3,487.69. The report also recommended that the building commitment be waived in consideration of damages suffered by the company arising out of the partial dismantling of their building on the Wellington Park lots, which was to have been relocated by agreement with the City in 1956. It was also recommended that Ideal Homes be permitted to purchase seven lots in Block 3 in Quesnell Heights, listed for sale by the City Land Department for \$27,220.00 with no building commitment, in further compensation for damages claimed by Ideal Homes.

On the 17th of June 1964, the City Commissioners requested that the Municipal Planning Commission consider a proposal to rezone Lots 48 to 54 of the Buena Vista lots from RR-B restricted residential to R-1. The existing restricted classification applied to one family residential zones where lot sizes are large, the building regulations more strict, and where very expensive houses are built.

On the 19th of August 1964, Mr. Hooke appeared before the Edmonton City Land Sales Committee representing Ideal Homes Ltd., at which time he proposed this exchange of lots. It was the intention of the company to sell the

lots to a company proposing to build a nursing home for elderly persons on the site, the sale to be conditional upon council rezoning the property from RR-B to R-1 and granting a development permit for "specially approved use". The committee recommended to council that the transfer be approved. A report on this was submitted to council on the 24th of August.

Rodgers stated that the Planning Department supported the application as being reasonable because, although the general area was of a very high standard, the lots to be rezoned were directly across from the Children's Zoo and they foresaw there might be difficulties in getting this type of housing on these frontage lots. On being asked if he was influenced in any way by any desire, express or implied, on the part of the City Commissioners to have this rezoning effected in order that they could make an exchange for the Wellington Park lots, he replied that no pressure was put on him, nor to his knowledge on anyone else in the Planning Department.

The application, he stated, was considered by council and a public meeting in the district was directed. This meeting was attended by Commissioner G. C. Hamilton, Commissioner for Planning for the City, for the purpose of advising the residents of the proposed nursing home. At the public meeting the whole matter was discussed, and strong opposition to the proposal was voiced. The matter was

reported back to City Council on the 14th of September, at which time the rezoning by-law was struck from the agenda and was filed.

At this point the evidence of various City officials concerned with respect to the three foregoing matters, is considered.

G. C. Hamilton was City Commissioner in charge of Planning during the period 15th August 1961 to 1st April 1966. He stated that he had never heard of Ideal Homes until the 8th of November 1962, when an undated, unsigned document was delivered to him by Mrs. Wilson, then a City Alderman, later Minister Without Portfolio, who stated that it came from Mr. Hooke. This document (hereinafter referred to as "the Ideal Homes document"), comprising eighteen typewritten pages, contains a detailed outline of the foregoing dealings between Ideal Homes and the City. It points out that it appearing that all probability of settling this matter by rezoning or exchange having failed, the only alternative left to the City was to purchase Ideal Homes land at a cash price sufficient to enable the company to recover its losses, pay off its debts, and recover the original investment. Figures for these items totalled \$190, 964.47. That part of the document dealing with the foregoing matters, concludes with these four paragraphs:



"However, in my approach to this matter, I am endeavoring to bring a satisfactory conclusion to what must obviously be a grievous problem to the City, as well as ourselves.

"It is not my intention to take legal action against the City of Edmonton and I am prepared to accept in full settlement a greatly compromised figure, one which can be easily justified by the City and one which will entitle us to retire our debts and return our investment.

"I am prepared, therefore, to forgive over 25% of \$100,000 and will transfer title of the 9 lots to the City of Edmonton for an amount of \$140,000 cash.

"In my opinion I am being more than fair and I know from offers made to us, providing zoning could have been obtained, the City is in a position to recover most, if not all, of this amount from the 9 lots."

Hamilton stated that at the time he received this document the City of Edmonton was preparing itself for a very important annexation application which was to go before the Local Authorities Board. The application was for annexation by the City of Jasper Place and the industrial areas situated to the east of the then boundaries of the City to compensate for the loss which the City would face by the annexation of the predominantly residential area of Jasper Place.

Because of this pending application, he said, he and the other Commissioners were all extremely sensitive to anything which they thought might bear on their success in this very important matter, and he admitted that they may have been over-sensitive. He stated also the fact that this



document came from the Minster of Municipal Affairs, the department of government probably most directly concerning the City, made it seem an extremely important matter to be dealt with at once; the fact that the document was entitled, undated and unsigned, gave it the appearance of a rather unusual document.

He testified that for these reasons, on reading the document over he became alarmed, and regarding it as obviously a serious matter, involving a large amount of money and carrying with it the implication that an important person had been badly dealt with over the years by the City, he contacted Commissioners Menzies and Tweddle, and the City Solicitor, Macdonald. He said that they felt this document was so important that notwithstanding that Mayor Roper was ill at home, they wanted to show it to him and discuss with him a course of action, if any, that they ought to follow as a result of this document.

On cross-examination of Hamilton, the following exchange of questions and answers occurred:

Q. You would view this document with some apprehension?

A. Yes, indeed.

Q. Because of Mr. Hooke's position as Minister of Municipal Affairs?

A. Yes.

Q. And what was your apprehension, Mr. Hamilton?

- A. The relationship between the City of Edmonton and the Department of Municipal Affairs was, of course, a matter of great importance to us all. The relationship between, and good will, that should continue to exist between the City of Edmonton and its officials on the one hand and the Minister of Municipal Affairs on the other was equally important, since an animosity that might develop at this level would be bound to make the flow of communication a little more difficult and stiff.

Accordingly, a meeting was arranged with the Mayor for the Sunday following. He stated that there was unanimous agreement at the meeting that it was in fact a very serious and important document; that the first thing that must be done was that it must be read carefully by Commissioner Menzies who would have a knowledge of the events referred to in it, and by City Solicitor Macdonald who would have access to the Land Titles Office and other sources of record and information and the veracity of the statements in the document should be very carefully checked out.

He stated that he did not communicate with Mr. Hooke directly about this matter although he met him on other routine matters on different occasions and at social functions, but was reluctant to discuss the matter with him. Early in the new year he had further meetings with Mr. Hooke, who was naturally anxious to know what, if anything, they were doing about the document.

He stated that various meetings were held to try and decide what could be done with the Wellington Park lots that would increase their value so that the Minister or the company would receive at least some of the compensation they felt was due them as a result of the long story of rezoning and re-plotting; that the various attempts to rezone the lots failed before Council because of the objecting petitions of the neighbouring residents and not from any technical objection emanating from the Planning Department or the Technical Planning Board.

He testified that in his opinion the application for rezoning in his professional capacity as a Town Planner made good sense and that he was not influenced in any way in coming to that conclusion either by Mr. Hooke, Campbell, or anyone in any way associated with Ideal Homes.

He pointed out that the Ideal Homes document did not contain any reference whatever to the forthcoming annexation directly or indirectly.

Mr. Hamilton testified that a few weeks after he had received the document he received at least one phone call from Campbell, who was obviously aware of the document and its contents, and who urged him to find some way of acceding to either one of the two alternatives proposed in the document.

He stated that some time later in the late winter or early spring, Campbell came to his home on a weekend



and said in effect "If you don't handle or deal with this matter satisfactorily you can forget all about your annexation". This conversation, he said, was probably related on the Monday morning following to his fellow Commissioners, and to the Mayor, who by then, he assumed, was back in his office. He stated that the Commissioners had already come to a unanimous agreement among themselves that no further special action was warranted and none was taken. He stated that the Campbell conversation was never directly or indirectly referred to by Mr. Hooke; that he never reported the conversation to Mr. Hooke; that he thought that Campbell was doing his best to effect settlement in this matter and perhaps was using language which Mr. Hooke would not have approved of; that he was never convinced that Mr. Hooke had any knowledge that Campbell was going to make such a statement, or that the message came from Mr. Hooke.

He agreed on cross-examination with the suggestion that his reasons for not treating Mr. Hooke and the claim of Ideal Homes as an ordinary claimant, were that Mr. Hooke was Minister of Municipal Affairs; that he was the head of a department of government having the closest dealings of the province with the City of Edmonton, but pointed out that there were other reasons, namely that as Ministers are always somewhat restricted in the freedom they have to attend to their private affairs, that they were entitled to be handled more expeditiously by someone even at the Commissioner level



than the ordinary citizen, because their appearance attracts attention and they are certainly very busy.

He said that he felt that if the Minister was dissatisfied and discontented with the way in which the City had handled the Ideal Homes affairs, in which he had apparently a financial interest, in many ways the relationship between the City and that department would become a little bit more difficult, and agreed that it might probably deteriorate. He stated that he gained a very distinct impression from Mr. Hooke that he had a rather important stake in the outcome of the Ideal Homes claim and that either as a shareholder or a creditor he had a vital interest in the financial affairs of the company; that Mr. Hooke indicated that he would be in a very difficult financial position if the City did not pay this claim and would leave him very close to insolvency; this was the prime reason why he (Mr. Hooke) wanted the City to settle the claim.

He testified that on more than one occasion after the Buena Vista exchange fell through, he drove around the City with Mr. Hooke looking for some parcels of City land which might not raise the same kind of objections as those raised in the Buena Vista area. He stated also that in addition to these drives he received phone calls from Mr. Hooke, and on more than two occasions visited him in his office.

Hamilton said that his attempts to settle the Ideal Homes situation were not in any way a result of the threat which he received from Campbell; that it was done because it was agreed by all that the situation was in an unsatisfactory unfinished condition as far as the principals of Ideal Homes and Mr. Hooke were concerned, and they should try to wrap the matter up in one way or another; that he was anxious to find some solution which would withstand any degree of public scrutiny and was proper and correct in all its facets, and yet which offered some sort of relief to the officers of the company.

The evidence of Commissioner Menzies is at variance in some respects with that of Commissioner Hamilton.

Menzies testified that in the winter of 1963, Hamilton came into his office one morning and stated that an unsigned document had been delivered to his office and made it available to him, Macdonald, the City Solicitor, and Tweddle, a City Commissioner, to read it over. He stated that this document, which was also undated, was entitled "The History of Ideal Homes Limited" and conveyed to him that the writer of it was under the impression that as a result of a number of transactions between the company and the City, that the company had suffered financial loss.

He stated that he was very much interested and started an investigation and a survey to go back through the whole history of it and try to ascertain if he felt that

damages had been sustained. After a very detailed discussion of the matter with the City Solicitor Alan Macdonald, they came to the conclusion that there was no justification in law for the claim.

He testified that about a week or so after Hamilton received this document and had shown it to him, Hamilton came in and told him and Macdonald that on the previous night Campbell had come to his home and had told him that he felt that we should now be beginning to take some action on the matter, and that as Commissioners we should go to Council and make a recommendation for some payment, or deal with the matter in some monetary way. He stated that he got the impression from Hamilton's report that failing their doing something about it, Campbell's group would probably have to think about taking legal action. He said that they decided that this matter was so important that Mayor Roper, who was then incapacitated and at home, should be acquainted with what had taken place, and that accordingly a meeting was arranged with the Mayor for the following Sunday afternoon. At this meeting, he said, they came to the conclusion that they were not prepared to go to Council and recommend any cash adjustment or acceptance of land, and that they did not feel that any damages were due.

He stated that at no time did he receive any communication, direct or indirect, from Mr. Hooke with respect to this matter, other than with respect to the



exchange of the Capilano lots, the Bronx lots lease, and with respect to the easement requested by the City and granted by Mr. Hooke on the Wellington Park lots, for an underground sewer and overhead pole line.

City Solicitor Macdonald testified that he first saw the Ideal Homes document in November 1962; that he did not think the discussion at the home of Mayor Roper was with respect to this document; he said the meeting was about verbal messages Hamilton indicated he had received about getting the Ideal Homes matters settled; that in these messages it had been implied to Hamilton that this matter of the outstanding claim by Ideal Homes should, in the opinion of persons un-named, be settled, otherwise it might affect the result of the annexation hearing then pending. He said that he had been informed by Hamilton that this communication came from Campbell; that it upset Hamilton to the point that they thought it necessary to disturb the Mayor at a time when he would normally have been left alone.

The evidence of Hamilton, Menzies and Macdonald with respect to the meeting at the home of Mayor Roper on the Sunday following Hamilton's receipt of the Ideal Homes document, which he stated he received on the 8th of November 1962, serves to illustrate the difficulty experienced by witnesses in this inquiry in accurately recollecting events long past. Hamilton stated that the meeting was called because of the Ideal Homes document, which he considered

important because of the pending annexation application. Commissioner Menzies said the meeting was held because on the previous night, Campbell had gone to Hamilton's home and told him "that as Commissioners they should go to Council and make a recommendation for some payment or deal with the matter in some monetary way", "that he got the impression from Hamilton's report that failing their doing something about it, Campbell's group would probably have to think about taking legal action". City Solicitor Macdonald said it was about "verbal messages that Mr. Hamilton indicated he had received about getting this Ideal Homes matter settled"; "that it seemed to be implied . . . that this matter of the outstanding claim by Ideal Homes Ltd. should, in the opinion of persons un-named, be settled, otherwise it might affect the result of the annexation hearing. This was the climate we were operating in". The Ideal Homes report was, he said "old hat" by then.

This evidence was given by responsible, intelligent witnesses of the highest probity, testifying with respect to a matter to which all attached considerable importance; and yet each one's version of the reason for the meeting being held at the Mayor's house is different. Hamilton was able to specifically fix the date he received the Ideal Homes document from his diary as being November 8th. The meeting at the Mayor's home, he said, was held the weekend following that date. Campbell's telephone call, he said,

was received by him at perhaps two to three weeks after that, on which basis Menzies' recollection of the reason for the meeting is in error. Hamilton placed Campbell's visit to his home when the implied threat with respect to the annexation proceedings was made, in the following late winter or early spring, on which basis Macdonald's recollection of the reasons for the meeting is in error.

William Hawrelak, who was Mayor of Edmonton during the period October 1963 to March 1965, stated that he was never given an indication by anyone that the outcome of the decision on the annexation would in any way be affected by the City's decision on Ideal Homes.

Campbell stated, with respect to the meeting with Mr. Hamilton at his home, that in the spring of 1963 he visited Mr. Hamilton at the latter's request, which was communicated to him through Mr. Hooke. He stated that on this occasion he certainly did not make any reference with respect to the annexation application. When asked if Mr. Hooke had instructed him to convey any message to Mr. Hamilton or anyone else about annexation, he replied, "Definitely not".

Evidence was given by C. G. MacGregor, Chairman of the Local Authorities Board, which consisted of two additional members, Ian Morris, a solicitor with the Department of Municipal Affairs and Albert B. Wetter, Assistant Director of School Administration. He said that the



Board reported to the Executive Council through a Minister, Mr. Hooke. The application for annexation of industrial areas adjacent to Edmonton and Jasper Place was started early in April and ended on the 30th of May 1963. The order of the Board was signed on or about the 31st of March 1964. The order provided that the Town of Jasper Place and some additional lands, not including the bulk of the plants comprising the industrial area in the County of Strathcona were annexed to the City of Edmonton.

He said that Mr. Hooke did not communicate with him in any way, directly or indirectly, at any time, either before the application, during the hearing period, or during the period of consideration, up to the time of publication of the Board's decision; that he did not know Campbell and had received no communication from him. He further stated that there was no influence brought to bear on the Board from any source whatsoever, and made it clear the Board would not yield to influence in any circumstances. He said that Mr. Hooke had never discussed with him his policy regarding annexation by the City, the community or the Town of St. Albert, or the Town of Jasper Place, or any other like annexation application.

Mr. Hooke testified that Ideal Homes had purchased the Wellington Park lots on the understanding, from a conversation with the Assistant City Planner, that these lots would be zoned at least commercial, if not industrial; that if the

company operated the property under permit for some time, and if the zoning did not permit the operation it was carrying on, the City would immediately make an exchange of property.

In 1964 he said he prepared, at the request of Commissioner Hamilton, a five-page brief which was in effect a summary of the Ideal Homes document addressed to the City Land Committee, copies of which, he said, were provided to each of the City Aldermen. This report states that on the strength of a letter from the City Industrial Director dated the 26th of August 1955, in which the City stated that it was prepared to arrange a trade of City-owned property zoned industrial, in exchange for the Wellington Park lots, Ideal Homes dismantled one large building, disposed of perishable building materials, and prepared to move. The exchange proposed in the foregoing letter was never effected. This, the report said, left them with no alternative but to dismantle the building completely, and Ideal Homes was completely out of business.

The brief prepared by Mr. Hooke for the City Land Committee concludes with these words:

"It is over a year ago now that I appealed once more for an exchange which would make it possible for us to at least pay off most of our debts, even though our original investments would be entirely lost and my loan to the company would only be partially repaid.

"I have done my level best to see to it that I could make a suggestion to the City Commissioners which would result in:

"(1) bringing to a satisfactory conclusion a grievous problem of long standing.

"(2) place the City in a position where it, too, would gain as a result of being able to secure two one million dollar taxable assets.

"(3) dispose of at least one piece of land which the city has been unable to sell for residential purposes.

"All this can be accomplished by the proposal being put forward by Commissioner Hamilton.

"I should mention that from newspaper reports it has been stated that I shall be a part owner of the proposed nursing homes. Please be assured that this is not in any way true. I have only been instrumental in doing what I have always tried to do for Edmonton . . . get them some more tax producing property.

"The newspaper has implied, if not stated, that I was seeking some sort of favor from the City. This, of course, is not true. Personally, I want this matter to stand entirely on its own merits and I am sure that any fair-minded business man could not help but admit that while the City is in this transaction completing an obligation of at least nine years' standing, it is at the same time benefitting itself handsomely."

With respect to Campbell's alleged threat to Hamilton, Mr. Hooke stated that he never discussed anything touching the question of the City's application for annexation of Jasper Place and other areas with Mr. Campbell, and categorically denied that he gave Campbell any instructions to mention the annexation application in connection with



the difficulties of Ideal Homes. He stated that Hamilton had phoned him and asked him if he would have Campbell get in touch with him, as Campbell did not have his listed telephone number, which message he passed on to Campbell.

He agreed on cross-examination that Campbell had a sort of general authority to deal on behalf of Ideal Homes in respect of numerous matters and that this was with his approval.

Mr. Justice W. G. Morrow of the Supreme Court, Northwest Territories, who prior to his appointment to the Bench had been retained as counsel by Mr. Hooke's solicitors, appeared and gave evidence at this inquiry. He testified that in 1960 and in 1962 he gave opinions with respect to the matters related in the Ideal Homes document, supported with other documents, with which he was provided, both opinions, he said, in essence being the same. His opinion then was that there was no legally enforceable promise by the City to sell the Bronx lots to Ideal Homes. With respect to the proposed exchange of land under which Ideal Homes was to have moved its building and operations from the Wellington Park lots to other lots owned by the City, on the strength of which the building was partially dismantled for that purpose, but which exchange did not materialize, Mr. Justice Morrow stated that he gave as his opinion to Mr. Hooke that he could sue the City for damages. With

respect to the loss of value of the Wellington Park lots as a result of the re-plot scheme, it was his opinion that there had been a claim by Ideal Homes, but that it had been lost because the proper remedies under the Board of Public Utility Commissioners Act had not been followed.

Mr. Justice Morrow stated that he appeared before the City Finance Committee on behalf of Mr. Hooke, who accompanied him, on December 9th, 1964, and made a submission based on the Ideal Homes document.

He stated that he was instructed by Mr. Hooke to make it very clear to the City that they were not there to threaten with a law suit, even if he considered they had a possible law suit, but were there to effect some kind of settlement. The Committee recommended that the Commissioners in consultation with the proper committee of Council, and Mr. Hooke, be requested to make an assessment of the presentation of Ideal Homes and report back to the Finance Committee with a digest of the situation and a specific recommendation.

In accordance with this request he said negotiations were started with City Solicitor Macdonald, with a view to attempting to show what the damages might be. However, he said before the negotiations with Macdonald had been completed, he learned from a newspaper report that the matter had come back to the City Council from the Finance Committee, and had been dealt with without any further notice

to him, and with no opportunity to make further representations. As a result of this action, he said, he wrote a strong letter of protest to the City.

Mr. Justice Morrow declared that he did not receive any instructions from Mr. Hooke to sue at any time, and that on two different occasions he had advised Mr. Hooke that because he was a Minister of the Crown he should not get involved in litigation. This advice was confirmed in two letters. His final instructions from Mr. Hooke, he said, were to make one last effort to work the matter out on a friendly basis. He testified that in the course of consideration of Mr. Hooke's problem, the subject of annexation was never raised.

On the 13th of September 1965, J. N. Agrios, then a member of the Morrow law firm, appeared before City Council. Agrios gave evidence to the effect that his appearance before City Council on that occasion arose out of it being brought to his attention that a member of the City Council, Alderman Leger, at the hearing before Council on the 23rd of August for rezoning the Wellington Park lots had specifically asked whether the damage claim of Ideal Homes against the City had been abandoned. Agrios said he appeared before Council for the purpose of replying to this reference to a damage claim, to make it quite clear that the application for rezoning then before Council was based on good planning and ought to be considered on its merits only,



and not on the basis of a possible damage claim as represented by Alderman Leger.

On the 5th of April 1965, City Solicitor A. F. Macdonald submitted a factual review of the complaint by Ideal Homes to the City Commissioners, in which he concluded that he was unable to ascertain any legal basis upon which the City was liable to Ideal Homes.

On the 8th of April 1965, a report of the City Commissioners was submitted to City Council by the Finance Committee, stating that they did not consider the claim of Ideal Homes to be justified and not recommending any compensation for the damages claimed. The Finance Committee recommended that the Commissioners' recommendation be approved.

The foregoing transactions and negotiations involving Ideal Homes and the City of Edmonton, raise these questions:

Did Mr. Hooke use or attempt to use the authority or prestige of his office as Minister of Municipal Affairs -

- (1) to influence the decisions of the Interim Development Appeal Board, the City Technical Planning Board, or the Municipal Planning Commission?
- (2) to influence the City Commissioners?
- (3) to influence the City Council or Councillors and Committees of the City Council?
- (4) to influence the Local Authorities Board?

With respect to (1), the various applications and submissions to these Boards and Commission were made by Campbell. There is no evidence of any attempt by Mr. Hooke to exert pressure on these bodies or to influence their decisions.

With respect to (2), the evidence of Commissioner Menzies was to the effect that he had no connection with Mr. Hooke other than with respect to routine matters pertaining to the Bronx and Wellington Park lots.

Former Commissioner Hamilton was highly sensitive to Mr. Hooke's position as Minister, and agreed that this had a bearing on their relationship. The evidence establishes that he made considerable effort to effect a satisfactory solution to the Ideal Homes problem. However, he testified that his support of the proposed rezoning of the Bronx and Buena Vista lots was on the basis that they made good sense in his view as a professional town planner, and that this view was not influenced by either Mr. Hooke or Campbell. He attributed his alarmed reaction on receiving the Ideal Homes document to the fact that he and all the other Commissioners were extremely sensitive to anything that they thought might bear on the City's success on their pending application to the Local Authorities Board for annexation of the industrial areas adjacent to the City, and to the fact that they may have been over-sensitive to possible relationships between the government and the

members of the Board, whom however, he said he had not met, and about whom he had no opinion.

While Mr. Hooke's involvement in this dispute between Ideal Homes and the City of Edmonton was understandably a cause of embarrassment and concern to the City Commissioners, and Commissioner Hamilton particularly, the latter's reaction was a subjective one, based on two anxieties:

- (a) That Mr. Hooke would endeavour to influence the members of the Board, and
- (b) That the members of the Board were susceptible to such influence.

Neither of these two anxieties were in fact justified.

As to the first anxiety, in giving his evidence with respect to the implied threat he said he received from Campbell, Hamilton testified that his attempt to settle the Ideal Homes situation was not in any way influenced by the implied threat; that Mr. Hooke had never referred to it directly or indirectly, and he was never convinced that the message had come from Mr. Hooke. Mr. Hooke explicitly denied that he gave Campbell instructions to mention the annexation application to Hamilton in connection with the Ideal Homes problems. No inference to the contrary can reasonably be drawn from the evidence. There is no other evidence pointing to the possibility that Mr. Hooke attempted to influence the Local Authorities Board.



As to the second anxiety, the Local Authorities Board was created by virtue of the Local Authorities Board Act, 1961 Statutes, Chapter 46. The Board comprises three members appointed by and holding office during the pleasure of the Lieutenant-Governor in Council. The members serve full time. The Board has wide jurisdiction over matters of concern to local authorities which include cities. The Board is independent; it is not answerable to any government Minister or Department other than by being required in the month of January in each year, to transmit a report to the Chairman of the Executive Council. Its orders are final, and are subject only to the right of appeal to the Appellate Division of the Supreme Court of Alberta upon a question of jurisdiction or upon a question of law.

MacGregor's rejection of the possibility that influence was brought to bear on him with respect to the annexation application was complete and unequivocal and there is no basis for inferring otherwise.

With respect to (3), other than in the testimony of Alderman Leger, which will be referred to further on in this report, there is no evidence that Mr. Hooke attempted to exert pressure or influence on any member of the Edmonton City Council or committees of Council. In his brief to the City Land Committee referred to above, prepared by Mr. Hooke at the suggestion of Commissioner Hamilton, he specifically

denied that he was seeking some sort of favor from the City and affirmed that he wanted the matter to stand on its own merits. This was the tenor of his counsel Morrow's submission to the City, and the basis on which his solicitor Agrios stated he appeared before the City Council in September 1965.

With respect to (4), the matter of any attempt to influence the Local Authorities Board has been dealt with above.

The protracted efforts made by Mr. Hooke to bring about settlement of the Ideal Homes problems, which have been considered in some detail above, indicate a strong belief on his part that Ideal Homes had a moral and legal claim against the City of Edmonton. He found support in this belief, at least in part as to his legal claim, in the opinion of his counsel. His interest in the outcome was financial - he had paid off the company's indebtedness to the Treasury Branch in 1955 and had otherwise shared in the company's losses, which he attributed to the City's actions.

Aside from the annexation application there is no evidence of any specific matter then involving the City and the Department of Municipal Affairs. In my view, it was imprudent for Mr. Hooke, in view of his position as Minister of Municipal Affairs to have become personally involved to the extent that he did in a dispute between a

company in which he had a substantial financial interest and a municipal corporation, and thereby create apprehension on the part of the City Commissioners, particularly Hamilton, even though it was unfounded. Nevertheless, the evidence does not warrant the conclusion that he used or attempted to use the authority or prestige of his office to effect a settlement of that dispute favorable to himself and his associates.



(2) Capilano Land Exchange

This relates to two matters:

- (a) The acquisition by Mr. Hooke of some property situated in the Capilano area in Edmonton.
- (b) The exchange of part of that property with the City of Edmonton.

(a) Acquisition

On the 26th of November, 1950, A. J. G. Lockhart, of London, England, wrote a letter to R. A. McMullen, Agent General for the Government of the Province of Alberta in London, seeking information with respect to some property in Alberta of which he was trustee. He gave a partial legal description, indicating the property to be in Edmonton. The letter stated that the agents for the land were a firm called Ney and James, Regina, Saskatchewan, and stated that this firm had received an offer of \$1,000.00 for the property.

On the 29th of November, Mr. McMullen wrote to Ralph R. Moore, Deputy Minister, Department of Economic Affairs, enclosing a copy of Lockhart's letter and asking him to solicit the assistance of the Minister in having the lots valued and finding out the location of the lots.

On the 15th of December, Ney and James, a real estate firm in Regina, wrote to Mr. Hooke referring to a letter from him dated the 6th of December, and giving the

full legal description of the lots as being Block 5, Lots 29 and 30 in Block 9, Lots 9 and 10 in Block 8, all in Subdivision Plan 1562 A.M. Edmonton, and stating that they had located the Duplicate Certificates of Title showing these lands to be registered in the name of Charles J. E. Cranstoun, executor of the estate of George Hubert Hugh Edmonstoune Cranstoun (deceased).

On the 18th of January, 1952, Ney and James wrote to Mr. Hooke, referring to a letter from him dated the 16th of January, stating that they had been advised by the solicitors for the estate that he had purchased the lots and that immediate steps were being taken to have the transfer drawn. On the 7th of March, 1953, a transfer was drawn by the executors of the estate to Mr. Hooke, for a consideration of \$1500.00. He became registered as owner on the 24th of April, 1953.

Mr. Hooke, in his evidence with respect to his acquisition of this property, states that while in England during the period December 14th, 1947 to approximately March 18th, 1948, endeavoring to secure premises for Alberta House which it was proposed to establish in London and to be occupied by Mr. McMullen, Mr. Hooke met a Major Lockhart, Secretary of the British House of Commons, and whom he came to know quite well before he returned to Canada.

He stated that Major Lockhart wrote to him in late 1948 or early 1949, informing him that he was the

executor of an estate owning property located somewhere near or in the City of Edmonton, of which he had only fragmented knowledge of the legal description; that the Major asked him to secure a full legal description for him and mentioned that someone had written from Canada offering \$1,000.00 for the property; that it took a long time to find out the proper legal description; that after contacting officials of the Land Titles Office, City officials, and Roberts, Secretary-Treasurer of the Municipal District of Strathcona, he obtained information which led him to write to a firm in Regina from whom he secured the legal description of the property. He stated that on asking Roberts whether or not \$1,000.00 was a good price for the lots, he was informed that it was a very good price. He stated that he passed this information on to the Major; that a day or two later, recalling that he had left some £500.0.0 on deposit in England at the time he was there for the opening of Alberta House, he offered to purchase the land for this amount.

During the course of cross-examination, Mr. Hooke was asked if he had kept any of the correspondence with respect to this property and agreed to produce it if he could locate it. The following day, in the course of examination by his counsel, he produced the letter from McMullen, to which was attached a copy of a letter to Mr. McMullen from Lockhart, both referred to above.



With respect to the moneys left by him in London, he stated that not knowing what expenses he was likely to incur in London, he borrowed the sum of \$2,500.00 from the Imperial Bank, which he transferred to the Royal Bank of Canada in London; that he did not draw expense money from the government before he left for England but that his transportation over and back was paid ahead of time by the government; that on his return he made an accounting to the Provincial Auditor or his staff for his actual expenses. He gave as his reasons for leaving the money that he expected to be back, the value of the pound was fluctuating, and the possibility that McMullen, who was a personal friend of his, might need it to furnish his home.

A statement showing expenses paid by the Government of Alberta to Mr. Hooke for the years 1944 to 1967, certified as correct by the Provincial Auditor, shows travelling expenses for the year 1947 in the sum of \$650.75, for the year 1948 - \$1,517.30, and for the year 1949, \$2,576.30.

E. H. Leger, an Alderman of the Edmonton City Council, gave evidence to the effect that about the 22nd of July, 1964, at a meeting in his home in the South Bend Motel, Edmonton, Mr. Hooke told him "that he had purchased this land from an estate in England while he was there opening Alberta House, and that he had used funds

that were allocated to him for personal expenses".

On cross-examination, Alderman Leger was asked these questions, and gave these answers:

Q. And did he indicate to you that the money that he had left over was the expense money that the government had furnished him with to go to England to open Alberta House?

A. No, I don't think he said it was -- I gathered it was, but I don't think he made the flat statement that it was government money.

Q. Well, he did say he had \$1,500.00 left over?

A. Yes.

Q. From expenses?

A. Yes, that's right, expense money.

.....

Q. And the expenses to which he referred were the expense money with which he had been furnished; isn't that what you took from his statement?

A. That's what I assumed, yes.

Q. And it follows, does it not, that he was -- that you thought he was referring to Government money he had been furnished with to go over and officially open Alberta House?

A. That's what I gathered.

These answers serve to demonstrate how assumptions come to be reported as facts. In the face of Mr. Hooke's explanation as to the means by which he financed the purchase of the property, an assumption that he used government funds is not warranted.

Mr. Hooke stated that prior to the letter from McMullen of the 29th of November, 1950, he had received two or three personal letters from Major Lockhart following his return from England.

He stated, with respect to the valuation of these lots, that he had ascertained the assessment from the Assessor for the Municipal District of Strathcona, had discussed their valuation with Roberts, the Secretary-Treasurer of the Municipality, and had phoned a real estate agent that he knew to check what real estate was selling for in that area. He stated that he ascertained from the assessment that the appraisal was in keeping with what he had been told by both the Secretary and the Assessor.

Although the enquiry with respect to these lots came to Mr. Hooke through official channels, there was nothing official about the matter, nor anything confidential, as these lots were in fact in the hands of real estate agents in Regina. It was not a government matter. Neither his department nor any other department had any concern with either the value or disposition of these lots. The transaction was a private one, between himself and a gentleman he had met and corresponded with in England, in which his authority as Minister was not in any way involved. He himself obtained the correct legal description of the lots through the Land Titles Office and the agents in Regina, and made enquiries as to their value. The



information he obtained as to their value indicated that the price of \$1,000.00 which had been offered the Regina agents was a very good one. This information he passed on to Major Lockhart. He followed this up with an offer to purchase for the amount of money he had on deposit in England, amounting to approximately \$1,500.00 Canadian funds.

He had not seen the lots up to the time negotiations were made for the purchase by X-L Holdings Ltd. in the spring of 1953. There is no evidence indicating that the subsequent disposition of these lots at a substantial profit, was foreseeable at the time of their acquisition. Their purchase was a speculative venture.

(b) Exchange

In 1954, part of the Capilano Property was exchanged by Mr. Hooke for a property belonging to the City of Edmonton. The sequence of events leading up to this exchange is as follows:

On or about the first of May, 1953, Mr. Hooke for a consideration of \$350.00 gave an option to purchase Block 5 to X-L Holdings Ltd. of Edmonton, for the sum of \$16,200.00, payable in cash on or before the 30th of December, 1953.

On the 3rd of July, 1953, Mr. Hooke sold Lots 29 and 30, Block 9, to Terence Maber, realtor, Edmonton,

for the sum of \$1,000.00, and on the same date he sold Lots 9 and 10, Block 8, to Bertram Sladden, insurance agent, Edmonton, for the sum of \$1,000.00.

A typewritten memo dated the 13th of May, 1954, signed by Mayor William Hawrelak of the City of Edmonton, confirms an arrangement with Mr. Hooke to effect exchange of Block 5 to the City for a property described as Block E, Plan 4877 H.W., Bronx Subdivision, belonging to the City and valued at \$20,080.00, Block 5 to be taken at a value of \$7,290.00, leaving a cash difference of \$12,790.00 to be paid by Mr. Hooke. The Mayor added in his own handwriting the words, "He will also sign an appropriate building commitment".

A City memo dated the 18th of May, containing details of the exchange, has a condition that Mr. Hooke will erect a warehouse building with offices at an approximate cost of \$80,000.00 on Block E, construction to be commenced by the 30th of June, 1954.

On the 27th of May Mr. Hooke signed an agreement with the City to give effect to the stated conditions.

On the 28th of May, title to Block 5 was transferred to the City by Mr. Hooke.

On the 5th of July a permit to build on Block E was granted by the City to Federal Equipment Supplies (Western) Ltd.

On the 1st of October, 1954, title to Block E was transferred by the City to Mr. Hooke, and on the 22nd of October, title to Block E was transferred by Mr. Hooke to Federal Equipment Supplies for \$29,000.00.

Sladden gave evidence to the effect that he and Terry Maber, with whom he was associated, having had some dealings with other property in the Capilano area, decided to acquire some other property there for the purpose of building small houses; that Maber carried on negotiations with Mr. Hooke resulting in the agreement of the 1st of May, 1953; that X-L Holdings Ltd. was a company in which he and Maber each had a half interest; that the sale was subject to zoning permits being obtained and private mortgages being arranged to build the houses, otherwise the deposit of \$350.00 was to be refunded; that eventually the Municipal District of Strathcona not being willing to issue the permits, he suggested to Maber that he see Mr. Hooke and get their deposit back. In the course of discussions with Mr. Hooke on this matter, he and Maber arranged with Mr. Hooke to purchase four view lots referred to above instead of Block 5.

City Commissioner Menzies gave evidence to the effect that Block 5 in 1953 was rural agriculture land which had been subdivided in 1913 and comprised part of an area in which the City Planner was carrying on a re-plotting procedure involving old subdivision plans being cancelled



and replaced with new, under the procedure provided for in The Town Planning Act, (the land having been annexed by the city).

He stated that the City had approached various owners of lands in that area with a view to purchasing their lands, including Mr. Hooke. He stated that Mr. Hooke was not willing to sell, but was willing to accept other land in some other part of the City in exchange. Mr. Hooke then owned Lot 3, Block 6, Wellington Park, and also had a lease from the City covering nine lots a block or two from Lot 3, (the Bronx lots). Block E was in the same vicinity as these lots. He stated that the values of these lands involved in this exchange were made by Mr. Reid, Land Superintendent, an employee of the City Assessor's Department, having a basic experience in land values.

There is a conflict of evidence between Mr. Hooke and Menzies as to the circumstances under which the Federal Equipment Supplies purchased Block E for \$29,000.00, resulting in a net profit to Mr. Hooke of some \$16,000.00. Mr. Hooke's evidence was to the effect that the first approach to him was made by Mayor Hawrelak, by way of a telephone call; that Menzies was brought into the conversation by telephone; that the property exchange was proposed by the City; that he pointed out he was not in a position to put up the difference of \$12,790.00 between

the values of Block E and Block 5; that he felt entitled to realize as much for Block 5 as he would have under his agreement with X-L Holdings Ltd.; that after several phone calls he was given to understand that Block E, being in an area where there was considerable industrial activity, a purchaser would be sent to him who would take over the property at a price that would return to him approximately what he would have received from X-L Holdings; that Federal Equipment Supplies was found by the City, and Pat French of that company was put in touch with him; that he pointed out the nature of the whole transaction to French; that an agreement was reached with Federal Equipment Supplies by which Block 5 was to be transferred by him to the City, Block E was to be transferred to Federal Equipment Supplies, \$12,000.00 was to be paid to the City, and the remainder of approximately \$16,000.00 was to be paid to him; that it was Commissioner Menzies who brought him and Federal Equipment Supplies together to make this deal; that this was the basis upon which the transaction was consummated; that as far as the mechanics of effecting this transaction were concerned they were left in the hands of G. J. Bryan, his solicitor, to whom he gave Power of Attorney to be used in his absence on a trip to the Old Country. The transfer to the City of Block 5 was signed by Bryan under his Power of Attorney. The transfer from Mr. Hooke to Federal Equipment Supplies was signed by Mr. Hooke.

Menzies stated that he could not agree that the City had found Federal Equipment Supplies as a purchaser, or that that was part of the deal, and he denied that he told Mr. Hooke that he would have French of Federal Equipment Supplies see him.

Mr. Hooke's version of this transaction, as given on the inquiry, corresponds to that given in the memo he prepared in 1964 at the request of Commissioner Hamilton.

The agreement with the City referred to above, contains a covenant by Mr. Hooke not to assign his interest in the land without the express written approval of the Commissioners, which could be withheld.

Former Mayor Hawrelak could not recall anything about the Capilano transaction except that the City benefitted from it.

A statement was produced by the City showing that the lots resulting from the re-plotting of Block 5, of which there were eighteen, were disposed of by the City for a total sum of \$38,025.00, which with one or two possible exceptions, included utilities installed at an estimated cost of \$900.00 per lot.

The evidence with respect to this exchange of land between the City and Mr. Hooke, establishes that the City wanted this property, initiated the proposed exchange, and determined the values at which the exchange



would be effected and subsequently made a good profit on the transaction.

While there is a conflict between Commissioner Menzies' and Mr. Hooke's recollection as to the circumstances under which Federal Equipment Supplies took over the City lots with a resulting profit to Mr. Hooke of some \$16,000.00, Mr. Hooke's recollection is consistent with his feeling that he was entitled to realize as much by this exchange as he would have by selling to X-L Holdings Ltd., and is supported by a memo prepared by G. J. Bryan, Q.C., and tabled in the Legislative Assembly as Sessional Paper 94 of 1967, which states the instructions he received from Mr. Hooke in May 1954 with respect to this transaction, in which he acted as Mr. Hooke's solicitor. His recollection of this transaction, set forth in this memo, corresponds to Mr. Hooke's. The memo states that on the 27th of May he received a cheque from Federal Equipment Supplies for the sum of \$12,800.00, of which the sum of \$12,790.00 was sent the next day to the City, together with a transfer to the City of the Capilano lots, and the agreement referred to above, both signed by Bryan under a power of attorney from Mr. Hooke, who was absent from the City at that time. The memo further indicates that on the 6th of July, Bryan wrote to the City advising that a permit would be applied for in the name of Federal Equipment Supplies, on the understanding that the City Commissioners

had agreed to the construction of the building by Federal Equipment Supplies, and the transfer of the property to that company. In this memo Bryan explains in detail the various values shown on the affidavits on the transfer from Mr. Hooke to Federal Equipment Supplies, as to land and improvements; how they were arrived at by him in consultation with the solicitors for the purchaser, without any participation by Mr. Hooke.

The essential fact of this exchange relevant to this inquiry is the acquiescence of the City in the transfer of the property to Federal Equipment Supplies by which Mr. Hooke realized the return to which he felt entitled. There is no evidence suggesting that any pressure or influence was brought to bear by or on behalf of Mr. Hooke upon any City officials to obtain their approval of the transfer which was effected by the granting of the building permit to Federal Equipment Supplies on the 5th of July.

(3) South Bend Motel Meetings

Evidence was given with respect to two occasions on which Mr. Hooke met Alderman Leger in the South Bend Motel, Edmonton. These meetings occurred on the 22nd of July and the 30th of July, 1964.

Motel Meeting 22nd July

This was the same meeting referred to above in connection with the acquisition of the Capilano property, at which other matters were brought up. Alderman Leger gave evidence to the effect that Mr. Hooke phoned him about ten o'clock that evening, and asked if he could see him, and as a result of that conversation came to the motel. He agreed with the suggestion made on cross-examination that on that occasion Mr. Hooke asked him to use his vote in City Council to clear the Ideal Homes land exchange for the Buena Vista land referred to above and that he was to use his influence to assist him. When asked what Mr. Hooke would do in return for that, he replied "Mr. Hooke suggested that he could help him politically by using his influence with . . . his party or friends . . . but also that he could do things for the City of Edmonton". On later cross-examination with respect to this particular conversation, Alderman Leger stated that at this point he stopped Mr. Hooke and said "I don't want to discuss this, - I don't want to tread on this, - onto this ground", or words to



that effect. He said that Mr. Hooke told him he felt that he was the main stumbling-block and that if he didn't oppose it, or if he supported it, that the rest of the Council would go along with it. The Alderman stated that he did not in fact withdraw his opposition to the home (the nursing home proposed for Buena Vista), in fact he increased his opposition to it, he said, but it gave him a great deal of trouble.

Mr. Hooke testified that about a week prior to the incident of July the 30th, 1964, in the South Bend Motel, seeing a statement in the Edmonton Journal to the effect that Alderman Leger had stated that Hooke was trying to trade off to the City an old moose pasture (the Wellington Park property) for some first-class land in West Edmonton, he called Leger and asked him if he knew where the land was. The reply was "No, I don't". He told Leger that he would like him to have more information on the matter and was invited to come to his home, which he did on his way home. The discussion related to the Ideal Homes property and whether or not Leger knew where it was, and the relative valuations that had been placed on the property by an independent valuator. Mr. Hooke then showed him a three or four page document which he had prepared for the City Land Committee on the advice of Commissioner Hamilton, referred to above, which he glanced at and said "Oh, so that's it". When asked if he directly asked Mr. Leger to vote at City Council meeting

in favour of the exchange of land which was in contemplation at that time, he replied "Oh, no, sir, quite the reverse. I said please don't interpret this in any way as my asking you to look at this other than knowing the facts". He denied that he offered to help Leger in any way, political or otherwise. In cross-examination he denied that there was any discussion of politics other than a parting shot by Leger that he would do anything to get a Liberal government in this province. He denied that there was any mention of civic politics.

In view of the conflicting versions of this conversation, in the absence of any corroboration, a finding that Mr. Hooke did in fact make such a proposal to Alderman Leger is not warranted.

#### Motel Meeting 30th July, 1964

This meeting occurred at the South Bend Motel in the late afternoon, under circumstances related by James Hume, M. G. Grundberg, Alderman Leger, A. W. Snadden, and Mr. Hooke.

Hume is a newspaper reporter, presently with the Victoria Times at Victoria, B.C. In 1964 he was the senior Legislature reporter of the Edmonton Journal.

He stated that the starting point of his interest in Mr. Hooke was when he phoned Mr. Hooke's office one day on a routine check and was informed that he was

out of the city at Victoria. Subsequent checking revealed that he was at Regent Towers, Victoria, B.C., which was found to be owned by Paris Investments Ltd. (a company controlled by Dr. C. A. Allard).

He stated that following Mr. Hinman's resignation, having this information and at about this time receiving a phone call from a Mr. O'Dwyer who made certain allegations against Mr. Hooke specifically, and references to what he termed pay-off cheques that were in his possession, and which he said he could show to him at any time, Mr. Hooke became of keener interest to him.

Hume's version of the events leading up to this meeting with Mr. Hooke at the Leger motel can be summarized as follows:

On the 30th of July, at about 11:30 a.m., a phone call was received at Liberal Party Headquarters where he was on routine business. He was informed that the call was from O'Dwyer, who wished to see him because he had some information.

He met O'Dwyer for lunch at the Greenbrier Motor Hotel, in the presence of Morley Grundberg, then a television station reporter. O'Dwyer, he said, went into a remarkable discourse with a multitude of charges against just about everyone in the Government, but in particular against Mr. Hooke, asserting very positively that he had so much evidence in his possession that by a

mere snap of the fingers Mr. Hooke would come running at his call and confess all. Hume stated at this point he suggested that if this were indeed so, O'Dwyer demonstrate it, as he was getting a little tired of the unfounded allegations. He stated that O'Dwyer then said that he would make a phone call to see if this could be arranged, left the room, and on his return stated that the arrangements had been made to produce some time that afternoon Mr. Hooke, who would talk to him and tell him of many of the events that had gone on in the Social Credit Party since he was elected, the ramifications behind the resignation of Mr. Hinman, and would also reveal to him many other Cabinet secrets. Hume stated that after consultation with his office he agreed to go with O'Dwyer that afternoon to some destination, then secret, to meet some mysterious person who, with O'Dwyer, would then produce Mr. Hooke out of a hat. He stated that as it turned out, he and Grundberg were taken to the South Bend Motel, where they were introduced to E. H. Leger.

In a preliminary conversation Mr. Hooke was discussed and Hume said he expressed some impatience that claims were being constantly repeated but no Mr. Hooke was produced; that reference was made to "one of the documents Mr. Leger held, which was described as a cheque made out in Mr. Hooke's favour for \$25,000.00." He stated he asked if he could see the cheque, and Leger replied that "the



time is not ripe for this yet." He stated that the cheque was described by Leger as being a cancelled cheque, but did not indicate who had drawn it, that he had asked, and Leger declined to answer and also declined to produce the cheque.

He stated that he said "If you can produce Mr. Hooke, will you please do so or we may as well go on our way." Leger left the kitchen, went into another room, ostensibly to make a phone call to Mr. Hooke to request his presence at the motel. Leger, he stated, returned in a few minutes to say that he had been unable to reach Mr. Hooke, but had left a message for him to return the call; that a few minutes later Leger was called to the phone and on his return said that Mr. Hooke was on his way over.

He said that Leger then requested O'Dwyer to move his car from the front of the motel because, he said, he felt that Mr. Hooke would not come into the motel if he saw it there. O'Dwyer left and later returned.

Shortly after that he heard the voice of Mr. Hooke in another room, but did not see him. About five minutes later Leger returned and informed him that Mr. Hooke would see him now.

He gave evidence to the effect that he had been led to expect, by O'Dwyer and Leger, that Mr. Hooke was there to reveal the details of the Hinman resignation,

the details of his past business affairs that had been surrounded by rumours for some time, and other details involving other Cabinet Ministers. After greeting Mr. Hooke he waited for him to make the startling revelations, and Mr. Hooke was obviously waiting for him to start asking some questions. Eventually the conversation started with him asking Mr. Hooke what he could tell him. His opening question, he stated, was "I understand you have something to tell me about the activities of other Cabinet ministers", and that at this point Leger interrupted to say "I didn't say he would, I said he could." Hume said this was the first subtle change in the attitude of Leger and O'Dwyer. He testified that Mr. Hooke's comment about the Hinman resignation was that no one was more surprised than himself when he heard about the resignation for the first time at a Cabinet meeting Tuesday afternoon.

He stated that he questioned Mr. Hooke about Paris Investments, Regent Towers, and Mr. Hooke's stay there. Mr. Hooke, he stated, replied that Dr. Allard was his doctor and he knew that he was the President of Paris Investments. He admitted that he had stayed at Regent Towers, but as the guest of Dr. Allard, and not as the guest of Paris Investments; that it cost him nothing but that he had paid his telephone bill.

He said that after pursuing this topic the conversation came to an end, and that he said to Mr. Hooke,

in harsher tones than he should, "Well, we don't appear to be getting anywhere"; that he told Mr. Hooke that he had expected greatly more from him, that he was making his job very hard. He said Mr. Hooke finished the conversation by saying that he was very sorry he could not help them, and they parted on a friendly basis.

Hume stated that he returned to the kitchen and that Leger remained in the basement for a few minutes, and when he returned to the kitchen he finished up by repeating his original question, "Well, now we have gone through all this, could I now, before I leave, see this famous twenty-five thousand dollars cheque?" and Leger, he said, gave him a blunt no, the time, he said, just still was not ripe.

In giving this evidence Hume refreshed his memory from a memorandum which he made in his own handwriting on the day following, having reported orally to A. W. Snaddon, Managing Editor for the Edmonton Journal, the night before.

On cross-examination, Hume agreed with the suggestions that Mr. Hooke would gather the impression that he was trying to bring the government down; that he was trying to get him thrown out of office; that he had told Mr. Hooke "I don't believe your hands are clean"; that "I don't believe that some other Cabinet Ministers are above reproach"; that at one stage of the interview

his attitude had been tougher than was really warranted.

Grundberg, a security salesman, was employed in 1964 by C.F.R.N. as a reporter for their news service. His duties related chiefly to political and business reporting. With respect to the former he was Legislative reporter during the 1964 session of the Legislative Assembly.

Grundberg's version of the happenings on the 30th of July, 1964, are as follows:

At 9:30 a.m. he had a routine meeting with Hume in the press gallery at the Legislative Building. During conversation he expressed curiosity about Hume's frequent phone calls to Mr. Hooke's office, and was told that Mr. Hooke was thought to have occupied accommodation in the Regent Towers in Victoria.

During the course of this conversation there was a series of phone calls to O'Dwyer, but he could not recall by whom they were initiated. He stated that in his conversation with O'Dwyer he told him that he could no longer accept any allegations and informed him that he and Hume would be having lunch at the Greenbrier, and invited him to join them there on this condition: "You choose the cheque and bring it to lunch. If you don't bring the cheque to lunch, or a cheque, then don't bother coming to lunch." This condition arose out of allegations by O'Dwyer which he said always concluded by O'Dwyer



telling him that he had cheques and could prove them.

O'Dwyer, he said, appeared at the Greenbrier and opened up the conversation by asking if a cheque for \$25,000.00 would keep him happy. O'Dwyer then told him that there was a person who had a cheque and that person would not let this cheque out of his possession, and if they wanted to make arrangements to go and see the cheque later in the afternoon he would see to it. It was left to him to get in touch with O'Dwyer if they decided to come to this meeting.

By arrangement Grundberg and Hume met at the Court House at about 2:30 p.m. They then walked over to Jasper Avenue where they met O'Dwyer, who was waiting beside his car. At approximately 3:00 p.m. they got into the car and began to drive around the downtown section in what Grundberg described as a circuitous route. During the ride, he said, there was a continuous stream of allegations from O'Dwyer.

At about 3:30 p.m. they arrived at the South Bend Motel, where they were shown into the kitchen, and after waiting a very short time Leger arrived. He estimated this time at between five and ten minutes. He said that there was then further allegations by O'Dwyer, and a discussion about the Regent Tower matter. At one point he said he asked Leger "Do you have a cheque that you can show us?" Leger started to answer, but was

interrupted by O'Dwyer with a tirade about "If you have something, now is the time to throw it in." He said that he again asked the question "Do you have a cheque that you can show me now?" and Leger's answer was "No." He said that he believed that Hume reiterated the same question and that as he recalls got no specific answer. He stated that some time between the time he left O'Dwyer and the discussions in the motel, he had become aware that Mr. Hooke's name was supposed to appear on this cheque for \$25,000.00. At this point Hume became exasperated and said "Well, if you can't show us any cheques, you said you could get me to see Mr. Hooke, do so."

He stated that Leger then left the room and he heard him phone and leave a message that he would like to speak to Mr. Hooke at his earliest convenience. About two minutes later Leger received a phone call and he heard him invite Mr. Hooke to come over. He stated that the conversation with Mr. Hooke was to the effect that he would like to see him at the first opportunity. It was, he said, an extremely brief exchange.

There was some discussion as to whether O'Dwyer's car should be moved, and as a result it was moved. While waiting for Mr. Hooke to appear there was a discussion about Hume having to confront him with the Regent Towers matter, and speculation on what his reaction would be to this.

He said that Mr. Hooke, on arriving at about four or ten after four, was taken directly downstairs by Leger. Shortly after, Leger came up and informed Hume that Mr. Hooke would see him, and together they returned to the basement. He stated that after an interval of fifteen to twenty minutes, Hume returned to the kitchen and about five minutes later Leger, with Mr. Hooke, came up and Leger escorted Mr. Hooke to his car.

On cross-examination Grundberg said that when he got into O'Dwyer's car he did not know where he was going; that he was going to meet a third person whose name he did not know; that this person was going to show them a cheque or cheques having some connection with corruption in the Government. He stated that he had no knowledge that Mr. Hooke would come to the motel until Leger phoned him.

Leger's version of the happenings at this meeting is as follows:

In the afternoon he was downtown and had occasion to call home, when his wife informed him that O'Dwyer and two other gentlemen were there waiting to see him.

On his arrival, he said, he found there O'Dwyer and Grundberg, whom he knew, and Hume, whom he did not know. He stated that O'Dwyer opened the conversation by telling him that Hume had been assigned by the Journal

to investigate Mr. Hooke and the activities of Dr. Allard and his various companies; that Hume had a case of corruption against Mr. Hooke which was going to be published in the Journal; that the story had been cleared with his editors, and if he had any information to tell, now was the time to give it to Hume, who was there for that reason and to seek further information and evidence of wrongdoing, not only by Mr. Hooke but by other Ministers of the Crown.

He testified that he then suggested to Hume the possibility that Mr. Hooke might have some explanation to offer and asked him if he had talked to Mr. Hooke. On being told that he had not, because Mr. Hooke would not see him, Leger said that if he really wanted to see Mr. Hooke he could arrange it. Leger then phoned Mr. Hooke's home and spoke to Mrs. Hooke, who answered, and said that Mr. Hooke was at work. He left word for Mr. Hooke to call. Shortly after he received a return call from Mr. Hooke. He told Mr. Hooke rather an important matter had come up and thought he should arrange for him to meet with some people who were at his place. He did not tell him who the people were.

About twenty minutes later Mr. Hooke arrived and was met by Leger in the front office of the motel, and there he told Mr. Hooke that Hume had stated that he, (Hume), had a case of bribery against him. On being



asked what it was about, he replied that he had not been told by Mr. Hume or anyone else what the case of bribery was. On being asked if he thought that there was any possibility of blackmail, he replied that he didn't think so, that he would not be a party to anything that was blackmail. Mr. Hooke had replied "I know that".

Leger then called Hume down to the office for the interview with Mr. Hooke. The interview, he said, related to Mr. Hinman's resignation, Fort McMurray development, loans to Dr. Allard by the Treasury Branch, and about evidence he had of acceptance by Mr. Hooke of free accommodation in one of Dr. Allard's apartments in Victoria. He stated that when Mr. Hooke asked at one point if it was going to be published, Hume said he thought it was, but the final decision was up to his editors.

With respect to the cheque for \$25,000.00 which he was supposed to have in his possession, Leger denied that he had indicated there was a cancelled cheque in his possession, that he had ever mentioned the figure of \$25,000.00 to anyone at anytime, that he had an affidavit by anyone concerning a cheque for \$25,000.00 or any other cheque to Mr. Hooke, that he had ever been shown a cheque payable to Mr. Hooke which could or could not be interpreted as some cheque in bribery or payoff.

He stated that prior to this meeting at the motel he had no intimation whatever that this meeting was

going to take place.

He denied that Hume could have obtained the impression that Mr. Hooke would confess all at this meeting; that his only recollection that anything was suggested to this effect was that sometimes people involved in wrong-doing get a compulsion to confess.

He testified that Hume and Grundberg could not have had any prior assurance that Mr. Hooke would be at the meeting. He thought at the time that O'Dwyer had brought them to his place to persuade Hooke to give them information that would assist them in their investigation.

A. W. Snaddon, Editor of the Edmonton Journal, testified that following the announcement of the resignation of the Honourable E. W. Hinman as Provincial Treasurer, on the 28th of July, 1964, in the course of finding out the reasons lying behind this resignation, certain allegations with respect to Mr. Hooke reached the Edmonton Journal, and they undertook to investigate them. For this purpose, James Hume, an Edmonton Journal reporter, was assigned to pursue inquiries. From information by Hume to the effect that Mr. Hooke had been living in an executive suite in a rather sumptuous style in Victoria, B.C., rent free, the Edmonton Journal arranged to hire a private investigator to take a look at this building. A report from Mr. Hume indicated that he had obtained information to the effect that Mr. Hooke

had stayed in this building for a short time in a housekeeping room.

He stated that on the 30th of July Mr. Hume phoned to inform him that he had been told that Mr. Hooke was about to tell all, to expose crime, corruption and various things in the Provincial Government. He instructed Hume to go to a meeting which was being arranged for that purpose and to let him know what happened. Later on that evening he received a report from Hume, as a result of which he instructed Hume to meet him at his office.

He stated that being disturbed by reports he had heard about the meeting, on the following day he called on Mr. Hooke and had a long talk with him. He said that there was no substantial variation between Mr. Hooke's and Hume's version of what happened at the meeting at the Leger Motel. Nothing was published with respect to Mr. Hooke as they did not think there was anything to justify publication.

Mr. Hooke, in his evidence with respect to this meeting, said that he received a call from Alderman Leger at about 4:00 p.m., who said he would like to see him and suggested he drop in on his way home. On his asking if the next day would do, Alderman Leger replied that it was something of vital importance to both of them, - that he would be doing him a favour to come over. He stated that when he arrived he was met by Leger at

the door and did not see either O'Dwyer or Grundberg at any time while he was at the motel. He and Leger went downstairs into a small room alone, where he was informed that he was in very grave danger and was asked if he would talk. When he said "What about?" Leger replied "You are going to have to answer some questions, otherwise in forty-eight hours your life won't be worth living". Leger then asked him if he would answer some questions by Hume, and he agreed. Hume came down and proceeded to ask him some questions with respect to Mr. Hinman's resignation from the Cabinet and whether he had accepted hospitality from Dr. Allard. Mr. Hooke replied that all he knew about Mr. Hinman's resignation was what he read in the press and that he had accepted Dr. Allard's hospitality on two occasions. Hume, he said, then informed him that a detective had been on his trail all the time he was in Victoria, and remarked that he was not giving them the answers they wanted. Several times, he said, Hume said "This is the way you are going to act, then we know what to do, don't we Ed?" He stated that Mr. Hume got rather violent two or three times in his attitude towards him. He was asked about his association with Dr. Allard, concerning Fort McMurray, and loans from the Treasury Branch to Paris Investments. At the conclusion of his questioning, he said Hume went upstairs first, and his parting shot to him was this - "In forty-eight hours you



will be in a different position than Hinman, he got fired, you will run in and resign".

After he left the meeting, Mr. Hooke testified that he phoned the Premier at his home, and later on in the evening reported the matter to him. On the following day he reported the matter to the R.C.M.P.

The evidence with respect to the South Bend Motel meeting on the 31st of July does not disclose any information as to Mr. Hooke's conduct as a Minister, other than his admission of having accepted hospitality at Regent Towers, Victoria, B.C., an apartment owned by one of Dr. Allard's companies. This incident has been dealt with in detail earlier in this report.

The diverse accounts of the events leading up to this meeting, and of the meeting itself, do however, serve to demonstrate the vague suspicions that were held by those who participated in this meeting, their conflicting recollections of what was said, and the sinister inferences which were being drawn from these suspicions, suspicions arising out of gossip and innuendo without any solid basis of fact. Mr. Hooke was justified in feeling intimidated by the manner in which the interview was conducted.

## PART II

This Part relates to the inquiry into whether or not Edgar W. Hinman used or attempted to use his office as a member of the Executive Council of Alberta for his personal gain, in conflict with his public duty.

Edgar W. Hinman, a school teacher residing at Cardston, was first elected as a member in the Legislative Assembly in 1952. On the 23rd of December 1954, he was appointed to the Executive Council as Minister of Municipal Affairs, which office he held until the 2nd of August 1955, when he was appointed Provincial Treasurer. He continued in this office until the 29th of July 1964, when he resigned as Minister and continued to sit in the Legislature until the general election of 1967, in which he did not run as a candidate.

Prior to his appointment to the Cabinet Mr. Hinman's business interests comprised farming and ranching, an interest in a grocery business in Cardston operated in conjunction with his sister-in-law, the Imperial Garage at Pincher Creek, operated by a private company of which the other shareholders were his wife, his sister and brother-in-law, Mr. and Mrs. Layton, and Temple Drugs. With respect to the grocery business in Cardston he said that he helped financially when able to do so and gave his advice when needed. With respect to Temple Drugs he said this was a

partnership with his brother and a Mr. McIntyre, in which he assisted only in the management. With respect to the Imperial Garage he testified that this company had no contracts or business dealings with the Provincial Government.

As Provincial Treasurer, Mr. Hinman was head of the Treasury Department and as such he said was responsible for the policies and organization of the affairs of that department, comprising the organization of the budget, collection of revenues, the source of material for the Provincial Auditor who reports to the Legislature.

The Treasury Department Act, R.S.A. 1955, Chapter 343, provides for a Treasury Board comprising members of the Executive Council appointed by the Lieutenant-Governor in Council. Mr. Hinman as Provincial Treasurer was Chairman of this Board. One of its chief functions, he said, is to review accounts which may or may not be collectable and decide how to proceed, to discuss the general financing of the province, to review expenditures from time to time, to review the quarterly statements of the Provincial Auditor, to discuss generally the developments that could be seen coming which would affect the Treasury. He pointed out that some of the accounts which would have to be written off would be Treasury Branch loans. However, he said the Board did not give directions to the Treasury Branch and had nothing whatever to do in the granting of a loan.

The Treasury Branches Act, R.S.A. 1955, Chapter 344, empowers the Provincial Treasurer from time to time and at any time to establish and operate at such points in the province as he may select, branches of the Treasury Department.

The relationship between the Provincial Treasurer and the Treasury Branches was explained by C. G. Davey, Superintendent of Treasury Branches. The Treasury Board, he said, does not give directions on loaning to the Treasury Branch, and they never have. Write-offs of bad debts have to be submitted to the Provincial Treasurer and they go to the Treasury Board for approval for write-off.

For purposes of convenience the various matters inquired into under this Part will be referred to under the following headings:

1. Hinman-Tanner Relationship.
2. Hinman-Superstein Relationship.
3. Farmers & Merchants Trust.
4. Alberta West Wood Products.
5. Miscellaneous.



1. HINMAN-TANNER RELATIONSHIP.

Commencing in the year 1958, Mr. Hinman and W. E. Tanner became associated as shareholders and officers in several different private companies, namely:

- (1) B. & R. Service (Cardston) Ltd.
- (2) Reo Realities Ltd.
- (3) Reo Investments Ltd.
- (4) Reo Sand and Gravel.
- (5) Reo Well Services Ltd.

Mr. Hinman testified that his family had been friends with Tanner's family for many years, and that Tanner had been a student of his in school. After Tanner returned from the war, he followed his progress and helped him wherever he could. This personal relationship was confirmed by Tanner.

Relevant particulars of these companies follow.

(1) B. & R. Service (Cardston) Ltd.

This was a private company with a capitalization of \$20,000.00 divided into 20,000 shares with a par value of \$1.00 each. The company was formed in 1953, all of the shares except two being held equally by W. E. Tanner and Leroy Card. The Annual Report for 1958 shows different shareholders, namely: D. J. Layton, E. W. Hinman, Nolan Hinman, W. E. Tanner, all with a substantial number of shares, and

S. D. Johnson, and W. A. Rasmussen with one share each. The Annual Report for 1961 shows Mr. Hinman as holding 6,000 shares; Tanner, Nolan Hinman and Layton as no longer holding any shares; 6,000 shares held respectively by Johnson and Rasmussen and 2,000 shares by Superstein. These holdings of shares continued according to the annual reports until 1963, when Mr. Hinman's holdings are shown as 8,000 shares and Superstein's as nil, Johnson's and Rasmussen's holdings remaining the same.

Mr. Hinman testified that his first business relationship with Tanner occurred in 1947 or 1948, in the garage business at Cardston, then known as B. & R. Service, the company not yet having been incorporated. This business had the Chrysler agency. Mr. Hinman testified that he was invited to take part in the business and did, in the capacity of director and consultant. On his advice the company sought and obtained a General Motors franchise. He confirmed that he participated in the negotiations resulting in this franchise being obtained. At that time he had a General Motors franchise at Pincher Creek for Imperial Garage. Tanner's evidence does not correspond with that of Mr. Hinman, or with the company records, as he testified that he sold out his interest in B. & R. Service in 1957, at which time he said Mr. Hinman did not have an interest in the company. Reference will be made to this company in that part of the Report pertaining to the Hinman-Superstein relationship.

(2) Reo Realities Ltd.

This private company was incorporated in 1958 with an authorized capitalization of \$20,000.00 divided into 20,000 shares of \$1.00 each, of which 100 shares each were held by Mr. Hinman and Tanner, and one share by Nolan Hinman.

Tanner testified that this company was incorporated as a result of a discussion he had with Mr. Hinman, in which he (Tanner) suggested that there were good prospects for a real estate company to be operated primarily in Edmonton where the company had its registered office. The Annual Report shows that Nolan Hinman's holding increased in 1959 to 50 shares, and in 1966 Mr. Hinman's and Tanner's holdings increased to 200 shares each. The activities of this company will be referred to further on in this Report in connection with the Hinman-Superstein relationship.

(3) Reo Investments Ltd.

This private company was incorporated in 1959, with an authorized capitalization of \$20,000.00 divided into 20,000 shares of \$1.00 par value each. The Annual Report for 1959 shows Hinman and Tanner each holding 100 shares and Nolan Hinman 50 shares. The Annual Report for 1963 shows the shares held as follows: E. W. Hinman 850; W. E. Tanner 200; Nolan Hinman 50; Sam Hanen 130; W. Thompson 130; Reo Well Services Ltd. 440; and T. O'Dwyer 200.



The idea for this company originated with Tanner, who felt that as the airport at Nisku developed, there would be need for living accommodation in that area, and that a company without too much capital could secure financing for an apartment development. Tanner testified that he got the idea for the company from O'Dwyer, a land developer in Leduc, who owned land there. This was the company that carried out the Leduc Apartment project referred to elsewhere in this Report.

(4) Reo Sand and Gravel

Mr. Hinman testified that this company was organized in 1961 at the time the Federal Government was building the airport at Nisku. Tanner proposed the formation of a company to supply gravel, which was needed. The shareholders were E. W. Hinman, Nolan Hinman and W. E. Tanner.

Arrangements were made for this company to supply gravel to Tallman Construction. He testified that he had no part in negotiating the deal with Tallman, nor did he take an active part in the company other than in an advisory capacity. Gravel was obtained from a Lou Grant, who had an outfit for screening, crushing and developing gravel. Mr. Hinman testified that he had nothing to do with negotiating the supply of gravel by Grant and had no knowledge of how long Grant had had a gravel lease.



Tanner testified that he became aware of the need for some gravel at the Edmonton International Airport through an advertisement of Tallman Construction. He contacted the foreman and superintendent, Jack Smith, and found out the requirements. He then found a source of supply and furnished the gravel. He confirmed that the whole deal with Tallman was his, and that to his knowledge Mr. Hinman never met Tallman nor knew anything about him. He stated that Mr. Hinman did not exercise any influence either with the acquisition of the gravel or with the supply of the gravel to Tallman Construction.

The evidence with respect to the operations of this company does not in any way point to the use by Mr. Hinman of his office for the benefit of the company.

(5) Reo Well Services Ltd.

This was a private company with an authorized capitalization of \$20,000.00 divided into 20,000 shares of \$1.00 par value each. The company was incorporated in 1959 and the Annual Report for that year shows E. W. Hinman and W. E. Tanner and Nolan Hinman each holding one share, F. M. Bruce 3,333, and Reo Realities Ltd. 6,664 shares. The Annual Report for 1962 shows Bruce's share as having been acquired by Reo Realities, which share distribution continued through the years 1963, 1964 and 1965.

Mr. Hinman testified with respect to this company that F. M. Bruce who had a well servicing outfit comprising two machines valued at \$20,000.00 each, came and asked for financial assistance to the extent of \$5,000.00. As a result, this company was formed. Capital was obtained by borrowing from the Toronto Dominion Bank, to whom Mr. Hinman gave personal guarantee up to a maximum of \$5,000.00. The business was carried on for a year and a half, when one machine was destroyed by fire. The insurance from this machine was used to clean up the business. Bruce, he said, had not turned out to be a very good operator and the company was sold in 1961 for a very modest sum. He stated that he did not afford any assistance to this company in obtaining contracts.

There is no evidence linking up this business venture with Mr. Hinman in the discharge of his duties as a Member of the Executive Council.

Mr. Hinman testified that none of the foregoing companies, or any of their officers in their capacities as such, had any dealings with the Treasury Branch, nor, he said, did he have any negotiations of any description with the Treasury Branch in relation to any of these companies. There is no evidence indicating otherwise.

2.     HINMAN - SUPERSTEIN RELATIONSHIP

During the period 1959 - 1963 Mr. Hinman became associated with Jacob Superstein, an Edmonton business man, in numerous business transactions. Superstein, a resident of Edmonton for forty years, was interested mainly in the egg and poultry business carried on by Edmonton Produce Company Limited, whose operations extended across Canada. He was likewise interested in oil wells, both as owner and shareholder, in real estate, and in a Drive-In Theatre. This portion of the report relates to those transactions and the relationship existing between Mr. Hinman and Mr. Superstein. For purposes of convenience they will be considered under the following headings:

- (1) Leduc Apartment Project.
- (2) B & R Service.
- (3) Edmonton Produce.
- (4) Five Thousand Dollar Deposit.
- (5) Airport Hotel.
- (6) The Dredges.
- (7) Lodgepole Mortgage.
- (8) Avenue West Property.
- (9) Settlement between Hinman and Superstein.
- (10) Superstein view of the relationship.
- (11) Hinman's view of the relationship.

(1) Leduc Apartment Project

This project involved the financing and construction of apartment units at Leduc. The project was carried out by Reo Investments, financed in part by moneys advanced by Hinman, Superstein, Sam Hanen, William Thompson and D. J. Layton.

Mr. Hinman's evidence with respect to this project was to the effect that the incorporation of Reo Investments, referred to above, arose out of an idea of Tanner's that as the Edmonton International Airport at Nisku developed there would be need for living accommodation at Leduc, which could be made by construction of an apartment. Tanner suggested that a company without too much capital of its own invested could get outside financial assistance, in fact Tanner found a source of mortgage money through National Housing. Walker, Thompson, Layton, Hinman and Superstein each advanced the sum of \$8,750.00 by way of a loan to the company and were to each receive six percent of the shares in the company by way of bonus. Construction was proceeded with on the apartment project comprising some fifty units. The venture was not successful and in due course the mortgage was foreclosed. Mr. Hinman said that his reason for asking Superstein to participate was because he knew that he had been interested in apartments. He confirmed with respect to this project that there was no



dealing with the Treasury Branch in the way of interim financing or otherwise.

Tanner confirmed that there was no borrowing from the Treasury Branch in connection with this project. He said that Mr. Hinman told him that Superstein was interested in the project and he went to see him. This, he said, was the first time he met Superstein. He stated that share certificates in Reo Investments were prepared for Superstein, but were never registered. Superstein's participation in this project, he said, was handled by a solicitor, J. L. Chapman.

Superstein testified that his participation in the Leduc project was first proposed to him by Mr. Hinman when they met at the Chateau Laurier in Ottawa in 1959 or 1960, when it was suggested to him that if he wanted a unit in the project he could have it. Hinman, he said, did not specifically say that he himself had an interest in it, but mentioned Layton and Walker. Later, on his return to Edmonton, he handed Tanner a cheque for \$8,750.00. He said that Chapman was not his solicitor, but was solicitor for the venture. It was his understanding, he said, that he was to be part of a syndicate. Hanen came in later and bought Walker's shares. Superstein said he did not get any of his money back.

Samuel Hanen, a business man and farmer residing at Calgary since 1909, stated that he first met Hinman in Calgary in 1961 through a mutual friend from

Camrose. He said that in about the year 1963 Mr. Hinman phoned him and told him that Walker needed some money and as a result of this call he sent Walker a cheque in the sum of \$8,750.00 for participation in the Leduc Apartment project. Mr. Hinman, he said, recommended the deal and thought it was rather good. When asked why he went into it, he replied "Because it was recommended by a friend, and if a friend recommend I will go along". When asked if he was looking on him also as Provincial Treasurer, he replied "No, as a friend". He stated that he did not then know that he ended up as a shareholder in Reo Investments Ltd.

The annual report of Reo Investments for the year 1963 shows Hanen and Thompson each holding 130 shares of stock in addition to the other shareholders in this company referred to elsewhere in this report. Neither Superstein nor Walker appear as shareholders.

No particular significance attaches to this project other than it being the first business venture in which Hinman and Superstein both participated.

## (2) B & R Service

In the Annual Report for B & R Service for the year 1961, Superstein appears as a shareholder with 2,000 shares, and in the 1962 Annual Report, as Director. How this came about is related by Mr. Hinman as follows:

"Well, it was pretty simple, these little businesses, when you buy the building and equipment and you have regular payments to make and often require more capital, we were discussing this garage business one time and I think we started discussing cars and finally discussed the garage business. I mentioned that we required more capital and he volunteered that he wouldn't mind putting some capital in."

When asked why they needed more capital, Mr. Hinman said the business was growing slowly but the returns were not enough to carry the additional responsibility of a growing business. The only inducement he said that was offered to Superstein was that it was a good business but as a small town agency it would grow. In 1963 he said Superstein preferred not to continue with the business and he agreed to pay him back \$6,000.00 which he had paid for the shares. This money, he said, went into the company bank account.

Superstein related how he became involved. He said that Mr. Hinman told him that a garage in which he had an interest in Cardston was having financial troubles. This was all he knew about the business. He could not recall whether he offered or was invited to, but in the result he loaned B & R Service \$6,000.00. As far as he was concerned it was a loan made without any security, for which no promissory note was given, on the strength of a verbal promise from Hinman that he would get it back. He said it was never mentioned that he was purchasing a share interest in the company. He did

not get any shares in the company nor did he look for any. Nor was he aware that he was elected a Director of the company. The personal cheque with which Superstein paid the \$6,000.00, dated July 3rd, 1961 payable to B & R Service Ltd. had the word "equity" handprinted on its face. Superstein said it was not his handwriting. When asked if he hoped to gain anything by advancing the \$6,000.00, he replied "No, I was just helping a fellow man". He expected to get paid back, and in a settlement between him and Mr. Hinman, referred to further on in this report, this sum was repaid by way of an off-set.

Mr. Hinman confirmed that he endorsed the word "equity" on the six thousand dollar cheque. Superstein, he said, was told that he could have an equity, or it could be a loan. He endorsed the cheque with the word "equity" as indicating he presumed that Superstein was going to take shares. He said that he thought that subsequently shares were in fact issued and that Superstein carried them for several years, but he had always assured him that he would take them back any time.

The financial statements of this company show a net worth of approximately \$39,000.00 for the year ending 1961, which Mr. Hinman described as very conservative. The problem, he said, was that the company was short of operating capital. He agreed with the suggestion that Superstein's judgment in investing \$6,000.00 in a company



was based on his representations to him about the financial health of the company. The \$6,000.00, he said, went into the company account. He was quite sure that he himself did not get any of it and that none of his own shares in the company went to Superstein.

Reference to this transaction will be made further on in this section of the report.

(3) Edmonton Produce

Edmonton Produce Co. Ltd. was an Alberta company with an authorized capital of \$20,000.00 divided into 20,000 shares with par value of \$1.00 each. The Annual Report for 1957 shows 16,000 shares issued, of which 15,998 were held by Superstein and 2 shares by Charles M. Lyle, who were likewise Directors. On the 10th of October, 1962, the name of the company was changed to S.M.S. Investments Ltd.

Mr. Hinman became involved with this company in two respects, namely:

- (a) as a member of the Management Committee.
- (b) in the sale of the business.

(a) Management Committee

Minutes of a meeting of the Management Committee of Edmonton Produce, dated the 8th of August, 1961, at 8:30 p.m., show as being present, J. Superstein,

W. E. Tanner, M. H. Pitcher, E. W. Hinman. The Minutes refer to a brief review of procedure at the previous meeting and interviews with applicants for the position of Manager. The Minutes do not contain any direct reference to Mr. Hinman's active participation in the business transacted. The Minutes conclude with an item to the effect that the committee should meet each Tuesday evening for a few weeks, and each alternate Tuesday thereafter. The meeting adjourned at 11:00 p.m.

Minutes of a meeting of the Management Committee dated the 15th of August show the same attendance. The name of Mr. Hinman does not appear in connection with any of the items of business discussed. Reference is made to succeeding meetings.

Mr. Hinman testified that he had never acquired an interest of any description in this company. When asked to explain how he came to meet as part of the Management Committee, he replied that this seemed to be a difficult time for production companies, the plant was somewhat obsolete, Superstein's health was not very good, and he often discussed his problems with Mr. Hinman. He said that he suggested to Superstein that perhaps somebody from the outside looking at it fresh might give him some assistance with plans for the operation of the plant.

Tanner, he said, was then employed by the company and had been for six to seven months prior to the meeting

of the 8th of August. He had introduced Tanner to Superstein, who had told him he needed somebody to do some chores he was finding it difficult to do. He recommended Tanner.

When asked how he had come to take such an interest in Superstein's affairs, he replied that he had discovered him to be a fellow who was giving a great deal of time to individuals, was interested in helping people, - the relationship was friendly and got to the point where they were discussing the business affairs of Edmonton Produce. He did not receive any remuneration for his services on this committee, he said.

Pitcher was Liquidation Officer of the Treasury Branch Main Office. When asked to explain how Pitcher became involved with this committee, he could not explain other than point out that Superstein was assisting Pitcher to recover some loan funds from another production company by taking the produce of that company and making partial payments to the Treasury Branch. He thought that was how Pitcher and Superstein got acquainted. Edmonton Produce, he said, was not at that time a customer of the Treasury Branch.

The meetings of the committee, he said, went on for about ten weeks. There may have been one or two meetings prior to the August 8th meeting. They were held with a view to making the company operation more efficient.

Tanner explained his membership on the committee as due to the fact that he had been working with Superstein on apartments and on the Airport Hotel. His function, he said, was to help Superstein with some of his management problems. He was then working for him on a salary basis. His explanation of Pitcher being on the committee was that they wanted to obtain produce from Larry's Produce, a company that was in financial difficulty. He went to see them, found they were involved with the Treasury Branch, and so he went to Pitcher to see what arrangements could be made to obtain their produce, because everything was tied up. He made an arrangement by which Edmonton Produce could process their products. This contact, he said, led to Pitcher going on the Management Committee.

He said that Mr. Hinman's coming onto the committee was probably due to his association with him and that having confidence in his financial ability, he had suggested to Superstein that he might be able to help.

Superstein's explanation of the committee was that the company was going through growing pains, had union problems, and he thought two heads were better than one. He felt that a Board would be of great help both to the company and himself. He confirmed that Mr. Hinman had no financial interest in the company and that the matter of his purchasing shares in the company was never discussed.



The significance of Mr. Hinman being a member of the Management Committee is as an indication of the extent to which he was becoming involved in Superstein's business affairs, the implications of which will be commented on further on in this section of the report.

(b) Sale of Edmonton Produce

In May or June, 1962, Reo Realities was given a listing to sell Edmonton Produce. A memorandum from Reo Realities, signed by Tanner, to Superstein, dated the 26th of July, 1962, confirms the listing. A typewritten letter dated the 20th of February, 1964, from Reo Well Services to Superstein, signed by Tanner, confirms that Reo Well Services received \$17,000.00 as commission, an agreed fee for services rendered with the sale of assets of Edmonton Produce to a subsidiary company of Ogilvie Flour Limited. The fee, it states, was received in the latter part of 1962.

In the lower part of the letter there is an endorsement in handwriting which appears to be a notation of Superstein, which states:

"Letter received, no date on letter. Also letter confirmed commission paid from Edmonton Produce \$17,000.00. Letter arrived first acknowledgment about 20th February, '64. This letter is not sufficient notice when arrived this late date."

The figures "20/2/64" have been handwritten at the top of the letter.

A letter dated the 30th of April, from Superstein to Reo Well Services Limited, says in part:

"This will confirm my understanding that at all times I was dealing with Reo Well Services Limited with regard to the commission owing on the sale of assets of Edmonton Produce Co. Limited and that is the company I paid the agreed commission to as indicated in the Department of National Revenue Income Tax T4 forms."

The circumstances under which the listing for the sale of Edmonton Produce was given to Reo Realities was explained by Mr. Hinman, who said that Superstein had decided that if he could find a sale for Edmonton Produce he would probably sell it. Knowing they had a real estate company, he asked them if they could find a buyer. Having heard that Ogilvie Flour Mills were interested in poultry production on a big scale, he contacted by phone at Winnipeg, Mr. Atkinson, Manager or President, whom he knew. Atkinson became interested but preferred to deal directly with Superstein, and did so. After negotiations, the sale of the business was effected. He said that he disclosed to Atkinson that he was acting for Reo Realities and admitted that Atkinson was aware that he was Provincial Treasurer. The commission was paid to Reo Well Services instead of Reo Realities because the company had an operating loss position.

Tanner's evidence with respect to this transaction was that the original deal with Superstein was for

a commission of \$25,000.00. He said that he had discussed the sale of the business with Superstein from time to time and that he had brought Mr. Hinman into it. They had several discussions about it with Superstein in which different prospective purchasers were considered. He said that in addition to discussing the sale of the business to a syndicate in Edmonton which appeared to be interested, he also talked to a couple of people in Vancouver about it. He said that he sat in on quite a few discussions in the negotiations between Superstein and Ogilvie.

Superstein testified that he discussed the listing to sell Edmonton Produce first with Tanner. It was an exclusive listing. He admitted that he had not listed the company with any other real estate agency. When asked why, he replied that he didn't particularly want it to become public. Mr. Hinman, he said, took a more active part in the sale when an attempt was made to sell it to a syndicate. He admitted that he knew Atkinson but had not mentioned selling the business to him. He said that Mr. Hinman had told him he had phoned the President of Ogilvie at Montreal. The next development was when he received a wire from Los Angeles asking for an option which he gave for \$5,000.00. After granting the option he carried on negotiations for the sale without any further assistance from Tanner or Hinman. The option was exercised and the business was sold for \$505,000.00. The price at which the

property was listed with Reo was \$655,000.00 and the commission agreed upon was \$25,000.00. The commission was cut down to \$17,000.00, he said, because he received less for the property. He felt that the commission was earned.

There is no evidence indicating that Mr. Hinman's position as Provincial Treasurer had any bearing on his bringing Ogilvie Flour Mills and Superstein together as purchaser and vendor of Edmonton Produce.

(4) Five Thousand Dollar Deposit

On the 27th of July, 1962, Superstein deposited the sum of \$5,000.00 to the credit of Mr. Hinman in the Toronto Dominion Bank, Edmonton.

The circumstances leading up to this deposit, as related by Mr. Hinman, are as follows:

"About July 24th, I think exactly July 24th, my brother-in-law, Mr. Layton, who was also my partner, was killed in an automobile accident. Mr. Superstein heard of it and came to see me to express his sympathy, and he told me that if I needed a little money to keep these affairs going because he had been managing it that he would be glad to lend it . . . I told him I didn't know that there would be any great need, and I went down to look after the affairs. I think in case I did need it he contacted Mr. Tanner, and as I remember they put this money in the bank without any more formal request from me and when I came back he said 'Well, just use it until you get this all cleared up.'"

Layton had been engaged in the operation of the Imperial Garage at Pincher Creek and the Terminal



Garage at Macleod, in both of which businesses Mr. Hinman had an interest. He doubted whether Superstein knew his brother-in-law. He stated that on his return to Edmonton, Superstein told him he should use this money as long as he needed it. He denied that he treated it as a gift and was sure, he said, that Superstein also considered it as a loan. Superstein, he said, had never demanded payment, although it appeared in a statement of settlement between Superstein and him dated the 10th of January, 1964, to which reference will be made further on in this report. When asked on cross-examination how he had spent this money, he replied that there were many accounts to be paid in connection with a ranch operation at Cranbrook, cattle on the Peigan Reservation, and cheques which Layton had written on his own account, which could not be cashed after his death. When asked if it occurred to him at the time that he could be accused of improper conduct in using this money, he replied "It did not cross my mind". He confirmed that the \$5,000.00 was settled by way of contra accounts in a final settlement, to which reference will be made further on in this report.

Tanner testified that on the day following Layton's death he and Superstein accompanied Mr. Hinman to the train. At this time, he said, Superstein asked Hinman if he could help him, whether he needed any money to settle the estate. Hinman replied that he did not know

until he got down there. . . A day or two later he said he talked to Hinman on the phone and was told that he would have to stay down there to arrange the affairs a bit before he could return to Edmonton. After talking to Hinman, Superstein asked him (Tanner) if he thought Hinman could temporarily use this money, to which he replied "Maybe he could". Superstein thereupon gave him a cheque for \$5,000.00 which he deposited in Hinman's account. It was, he said, a loan and was never considered by Superstein as anything else.

Superstein said, with respect to this deposit:

"I don't know exactly whether I phoned Mr. Hinman or whether Mr. Hinman phoned me, or whether Mr. Hinman came to see me or I went to see him; but I learned that there was a misfortune in the family, and I expressed my regrets; and I said if there was anything I could do to please don't hesitate to call on me. . . . And I said 'Please don't hesitate to call on me.', and he said to me 'Jake, I don't know where things stand, I am going to go home to see how Mrs. Layton feels and see how things are.' And the next thing I remember, my secretary said 'Mr. Tanner would like to see you.' He came in my office, this is to the best of my memory, he told me that Mr. Hinman had just called him from I think Cardston, Cardston Alberta, and I wonder if I would mind loaning him \$5,000.00 until the affairs are straightened away. I said 'Of course.', and I wrote a cheque for \$5,000.00. Mr. Tanner took the cheque, and I of course now learned, since then have learned that his account was on the Toronto Dominion Bank, he deposited it to Mr. Hinman's account and that's all I know of that cheque."

He said that he knew from his previous association with Hinman that he and Layton shared interest in cattle operations and was concerned there could be a shortage of feed and hay. He agreed with the suggestion that he did not accept the \$5,000.00 as an off-set until some time between October, 1966 and March, 1967. Up to that time he said he kept on asking for it.

Mr. Hinman was cross-examined with respect to the disposition of this money. He produced cancelled cheques showing different payments made by him out of the Toronto Dominion account on payment of accounts incurred in the trading operations in which he and Layton were partners, totalling an amount in excess of \$5,600.00. When the estate was settled he said it paid its share of all the debts of which he had paid an amount exceeding \$12,800.00, of which Layton would have been responsible for fifty percent.

Reference will be made to this transaction further on in this section of the report.

(5) Airport Hotel

In 1961 Superstein, as principal shareholder in a private company, Edmonton Airport Hotel Co. Ltd. (hereinafter referred to as "Airport Hotel") became involved in the construction of a hotel near Edmonton International Airport.

Evidence was adduced with respect to two matters in connection with the Airport Hotel:

(a) Financing.

(b) Share ownership.

(a) Financing

The company was incorporated in 1957 by two solicitors, with an authorized capital of 100,000 shares with par value of \$1.00. One share each was issued to the incorporators, who held them until 1959 when they were transferred to Superstein and Frank H. Proby respectively, and the capitalization changed to 400,000 shares, of which 300,000 are shown in the annual report as no par value. In 1960 Proby's share was transferred to Ruth Superstein, Superstein's wife.

The evidence establishes that a hotel was built by the company at Nisku, financed in part by a mortgage in the sum of \$300,000.00 to Credit Foncier Franco-Canadien (hereinafter referred to as "Credit Foncier"), dated the 8th day of February, 1961. Foreclosure proceedings were commenced on the 12th of October, 1962, and an Order Nisi and Order for Sale was granted on the 13th of February, 1964.

Interim financing was provided by the Treasury Branch. On the 14th of February, 1961, an application for credit was submitted by Airport Hotel to the Calgary Trail



Treasury Branch, Edmonton, for an overdraft credit of \$100,000.00. The application shows Jake Superstein as President, Ruth Superstein as Secretary, and William E. Tanner as Manager. Particulars of collateral securities are shown as assignment of mortgage moneys with Credit Foncier \$300,000.00, letter of guarantee Jake Superstein \$100,000.00, letter of guarantee Ruth Superstein \$100,000.00, borrowing resolution, general assignment of book debts. The following remarks by the Manager appear:

"Purpose: To provide interim finance to cover cost of construction of Hotel pending Receipt of Mortgage Monies.

Repayment: From proceeds of Mortgage Monies from time to time.

Remarks: This application is submitted for confirmation of tentative agreement already reached in interview between The Superintendent, Mr. Jake Superstein, and Mr. William E. Tanner.

The Company are commencing construction on a new hotel just north of the International Airport and a mortgage of \$300,000 has been arranged with Credit Foncier Franco-Canadian. Most of the construction is to be sub-contracted and to facilitate payment of Sub-Contractors we have been requested to provide interim finance pending drawings on the Mortgage Monies from time to time. On completion of construction the hotel's account is to be conducted with ourselves.

We strongly recommend your approval of this application."

The following entry, dated February 22nd, under the heading "For Head Office Use", followed by a space for the signature of the Superintendent, appears on the form:

"Credit is approved on a temporary basis and account should be closely followed to assure yourself that monies due from the Credit Foncier will at all times clear our loans as we do not want to be involved in a capital loan at finalization. Security must be held by way of TB 158 and 159, General Assignment of Book Debts and Specific Assignment of monies due from the Creditor Foncier, who should acknowledge our assignment."

A further application for credit by Airport Hotel, dated February 23rd, 1962, is for an overdraft credit of \$50,000.00, with the same particulars of collateral securities shown as on the former application. The following Manager's remarks appear:

"Purpose: To provide interim finance to cover cost of construction of Hotel pending receipt of Mortgage Monies.

Repayment: From proceeds of Mortgage Monies - completely by May 31st, 1962.

Remarks: To facilitate the completion of this transaction and to enable final disbursements to be made to the sub-contractors Mr. Tanner has requested the continuance of accommodation at a lower level of \$50,000 for a maximum of three months pending receipt of \$50,000 mortgage monies from Credit Foncier Franco-Canadian.

We most strongly recommend your approval of this application."

and the following entry appears over the signature of C. G. Davey, Superintendent:

"Credit continuance in the reduced figure of \$50,000.00 is authorized for the further term, but you must be satisfied that mortgage monies are forthcoming to clear any balance owing and liquidate account in full by May 31st next."

Mr. Davey gave evidence as to the circumstances under which these applications were made. He said that originally Mr. Superstein came to him to inquire if he would be interested in an application for a loan to be made through the Riviera Hotel Treasury Branch on the Calgary Trail. This was a recently opened branch, and as it looked like desirable business, he told Superstein to go to the Manager and discuss it with him, and if the Manager saw fit he would submit a formal application for credit.

He pointed out that applications for loans in excess of \$3,000.00 had to be referred to the Loans Committee, then comprising himself as Chairman, and three other members. The application in due course was submitted to this committee, and was approved. When asked if Mr. Hinman had intervened in any way, directly or indirectly, he replied "No". When asked if any hint of influence from Hinman reached him, or to his knowledge members of the Loan Committee, he replied "No, it was never discussed".

With respect to the additional interim financing of \$50,000.00, he said that when it came up he followed it closely by reason of the fact that the hotel had got into some problems. He phoned the Manager every ten days or so, and was assured by the Manager that in his conversations with the mortgage company, further funds were forthcoming, and in due course from an additional mortgage advance they would be cleaned up. When asked with respect to this additional credit, whether Mr. Hinman played any part at all or exercised any influence on the Loan Board, he replied "None at all". When asked if he had any intimation at the time the application was made by Airport Hotel for interim financing that Mr. Hinman might have an interest in the company, he replied "None at all, no". He confirmed that there was still a balance owing on this account.

Davey explained that the Treasury Board does not have any relation at all with or give direction to Treasury Branches with respect to loans and he added that the Board never has, in any respect, ordered the Treasury Branch to lend or not to lend money here or there. Write-offs of bad debts however, have to be submitted to the Provincial Treasurer and go to the Treasury Board for approval.

Mr. Hinman related how he became involved in the financial aspect of Airport Hotel. He confirmed that he did not have any dealings of any description with Credit Foncier in connection with the proposed loan for



this project, and did not offer Superstein or the company, or anyone connected with the project, any assistance or advice in connection with obtaining a mortgage loan or with the design.

An excerpt from the transcription of evidence given at the foreclosure proceedings trial by Tanner, in which he testified with respect to interim financing provided by the Treasury Branch, in the sum of \$100,000.00, and with respect to a further interim credit from the Treasury Branch in the sum of \$50,000.00, was read to Mr. Hinman and he was then asked the following questions, to which he gave the answers quoted:

- Q. Now Mr. Hinman, did you have any part in any way with arranging the interim financing that is spoken of in this testimony, from the Treasury Branch?
- A. I did not.
- Q. None whatsoever?
- A. None whatsoever.
- Q. You didn't speak to Mr. Davey about it?
- A. I didn't.
- Q. You spoke to no officer of the Treasury Branch?
- A. No officer.
- Q. Either indirectly or directly?
- A. Either way.
- Q. Yes, you just had nothing to do with this?
- A. Nothing to do with it.

Q. Did you know it was going on?

A. No but I knew after it was accomplished, Mr. Tanner told me he had arranged credit there.

When shown a copy of an agreement between Superstein and Trebeurden Real Estate Limited (hereinafter referred to as "Trebeurden"), dated the 17th of February, 1960, relating to the Credit Foncier mortgage, to which reference will be made further on in this report, he stated that he had no knowledge whatever of it at that time and had had no dealings whatever with Trebeurden or any officer or employee of it.

Mr. Hinman was shown a letter dated July 3rd, 1963, written by him to Superstein, in which he said in part:

"The hotel is another matter . . . "

"When you are up and we can get a clear picture of the various liabilities and possibilities we may be able to locate some who will take it over. Anyway, I will be glad to work on it for you."

His explanation of the circumstances that led him to write that letter was that he had become aware that Superstein was in considerable trouble with the hotel and had written to him and asked him for any suggestions. Superstein wondered if he knew anyone who would buy the hotel. Hinman thought he might help him in finding some financial institution to take over the refinancing or to

sell it to someone who was an operator. He would have suggested to Superstein the names of finance firms. He admitted that his list of such firms would have been added to by reason of his being Provincial Treasurer.

He said nothing transpired after that letter was written. Six months or so later however, Superstein informed him that he was attempting to get Credit Foncier to work out a settlement and he offered to arrange a meeting with Credit Foncier for that purpose.

He pointed out that by this time the Treasury Branch was considerably involved and he was concerned that they be paid out too. The Treasury Branch had provided additional interim financing on the strength of Credit Foncier increasing the mortgage loan. The original line of credit of \$100,000.00 had been increased by \$50,000.00. This matter had come before the Treasury Board, of which he was Chairman, an amount in excess of this \$50,000.00 then being owing. He had, he said, been given to understand that Credit Foncier would grant this advance and he was interested in getting them to recognize that and get it settled. He took the matter up with the Manager of Credit Foncier in Montreal when he was in Ottawa on other business. He was told that there were certain reasons why this advance had not been made and that Credit Foncier would be happy to meet Superstein or his solicitor to see if they could clear it up. Shortly

after, a meeting was held in early 1964, at his office in the Legislative Building, attended by a Mr. Chartier of Credit Foncier, Mr. Lyle, Local Manager of Credit Foncier, their solicitor, Mr. S. McCuaig, Q.C. and Mr. George Steer, Q.C., solicitor for Superstein. Certain proposals were made at this meeting and were left to be considered. He learned later that the matter was not settled. From then on he had nothing further to do with it. The Treasury account was settled after he left the department, but he had no knowledge of the settlement.

Tanner testified that he first became engaged in the hotel project when Superstein informed him that he was going to build a hotel at the airport and engaged him to look after the construction of it. At this time the arrangements with the Liquor Control Board for licensing had gone as far as they could go. He acted as General Superintendent on an agreed supervisory fee. The hotel was built under sub-contracts. When he became involved in the project the basic work had been completed. His duties involved obtaining the various sub-trade prices, and to a certain extent arranging financing, but when he started to work on the hotel he had no idea, he said, that he would have to arrange financing of any kind.

With respect to financing he testified that they had a letter of commitment from Credit Foncier for a mortgage. He was present when an arrangement was



discussed with Mr. Lyle, Manager of Credit Foncier, by which Trebeurden, a subsidiary company of Credit Foncier was to get ten percent of the shares of Airport Hotel as a bonus for the mortgage, which arrangement was confirmed by the written agreement which has been referred to above. He issued the 30,000 shares to Trebeurden on directions from Superstein and delivered them to Lyle. Later, when the capital of the company was increased to 400,000 shares, a further 10,000 shares were issued to Trebeurden.

He said that he had a part in arranging finances with the Riviera Treasury Branch on the Calgary Trail, with whom he negotiated the initial line of credit. He filled out an application and in due course was informed that the application had been approved. The next step was the assignment of the proceeds from the mortgage from Credit Foncier and obtaining personal guarantees of Superstein and his wife. He was then asked these questions, to which he answered as quoted:

Q. Did the name of Mr. Hinman arise at any time during those negotiations?

A. No sir, never.

Q. Did you speak to him?

A. No sir.

Q. So that you could not have asked him to intervene?

A. No sir.

Q. And so far as you know did he or did he not intervene?

A. As far as I know he never did.

The intial interim credit of \$100,000.00 was used up twice, and was then reduced to \$50,000.00, as \$50,000.00 of the mortgage proceeds had been applied initially in clearing the title. When it was found that the actual cost of construction was going to exceed \$250,000.00 it was agreed by Lyle, in a discussion with Tanner and Superstein, that Credit Foncier would increase the mortgage loan by \$50,000.00. He then approached the Manager of the Treasury Branch for a further interim credit of \$50,000.00. The Manager, in his presence, phoned Lyle who confirmed the arrangement for the increase in the mortgage loan, and a further line of credit in the sum of \$50,000.00 was then approved by the Treasury Branch on that basis.

After \$40,000.00 of the credit had been used, difficulties arose with Credit Foncier who was not going ahead with the increase in the mortgage loan, and so the line of credit was stopped. That was the last he had anything to do with it, and he did not know how it came out.

He was then asked the following questions, to which he answered as quoted:

Q. And in any of this negotiation for a variation in the line of credit did the name of Hinman occur at any time?

A. Never, sir.

Q. And have you any thought that Mr. Hinman may have intervened at any stage in this?

A. No sir.

Q. There was nothing in it that caused you to think that might happen?

A. No sir.

When asked if he had mentioned to the Treasury Branch Manager that Mr. Hinman was taking an interest in the project, he replied "No sir, it would have been a lie at that time because he wasn't taking an interest in it". He denied that he had ever discussed with Mr. Hinman how to go about arranging financing of any kind or seeking his advice in that regard. He said that he had made occasional visits to the hotel with Mr. Hinman. None of these visits, he said, were during the normal working day.

Superstein testified with respect to the financing of the Airport Hotel that the company had been incorporated for the purpose of building a hotel at Nisku. His first contact with Mr. Lyle of Credit Foncier, he said, was made through Arthur Arnold. In the initial stages, Mr. Hinman's contribution was in sending Tanner to him. Hinman, he said, did not participate in any way in providing funds, but was looked to for guidance as a friend.

He confirmed that initial interim financing arrangements were made with the Treasury Branch by Tanner. When queried if he had asked Mr. Hinman to give assistance in arranging the financing with the Treasury Branch, he replied "Not at that time, no". He did talk to Mr. Hinman later on when the hotel was in financial difficulties, Credit Foncier having failed to carry out its verbal commitment for additional funds and the Treasury Branch had an overdraft based on that commitment. He said Hinman attended the meeting in the Legislative Building to see if he could assist him in getting time at the Treasury Branch while the problem was worked out, and left him with the belief he was going to do something, but he did not know of anything he actually did or attempted to do.

After getting the letter of commitment from Credit Foncier he told of going to his own bank to arrange interim financing, but went along with the suggestion of Tanner that it would be more convenient to do this on the south side of the city. He did not need any assistance, he asserted, as he then had a one-and-a-half million dollar bank credit and could have gone to any bank. He admitted that he did not attempt to get interim financing from his own bank. He denied that he had ever visited the Treasury Branch with Mr. Hinman, or had ever indicated to them at any time during the course of the construction of the hotel that Hinman had a ten percent interest in it. He confirmed



that he had signed a personal guarantee for repayment of the moneys advanced by the Treasury Branch.

The evidence with respect to the financing of the Airport Hotel establishes that Mr. Hinman did not play any part in the arrangements for a mortgage loan from Credit Foncier nor in the provision of interim financing by the Treasury Branch. He did however, at a later date, participate in the unsuccessful attempt to have Credit Foncier increase the mortgage loan. His efforts in this respect were consistent with his duties as Provincial Treasurer to endeavour to have Airport Hotel placed in a position to discharge its obligations to the Treasury Branch incurred on the strength of assurances given to the Treasury Branch Manager by Mr. Lyle of Credit Foncier that the mortgage loan would be increased.

(b) Share Ownership

This part of the inquiry concerns the sharehold interest, if any, which Mr. Hinman had in the Airport Hotel. Evidence was given on this aspect in addition to Mr. Hinman, by Tanner, Arthur Arnold, Deputy Minister of Public Works in 1960 and for some time thereafter, Superstein, and Senator J. Harper Prowse.

Mr. Hinman gave evidence as to how he became involved with this company through his acquaintanceship

with Superstein. He testified that when he had his first discussion with Superstein about the hotel, the project had been conceived, but no construction was yet under way. He thought this conversation might have occurred in 1960, before the mortgage was granted. Some time later Superstein drove him to Nisku and showed him where the hotel was going to be built. He had no purpose, he said, in going to the site other than that they were friends, and Superstein was just making him acquainted with what he was doing. At that time he said Superstein and his associates had already gone through the area to get petitions for a license, and there were indications that they would get a beverage license if they built the hotel. On that occasion he was not asked for and did not give any suggestions or advice, but as the construction went on, Superstein often discussed it with him.

He was not then aware that Arthur Arnold was interested in the hotel until after the designs for the hotel had been completed, nor was he aware that they had been done by Arnold. He did not introduce Arnold to Superstein or effect an introduction, and up to that time had no discussion with Arnold about the project. His first discussion, he said, with Arnold about the project was when he met him one evening with Tanner when the building was under way. At that time they discussed the design and structure.

A portion of the transcript of an examination for discovery of Superstein in the Credit Foncier foreclosure action, in which he stated that Arnold was to have shares in the company, was read to Mr. Hinman and he was then asked the following questions to which he answered as quoted:

Q. Now, you have pledged your oath Mr. Hinman that you had nothing to do with the introduction of Mr. Arnold to Mr. Superstein?

A. Yes.

Q. And nothing to do with the engagement by Superstein of Arnold for this Edmonton Airport Hotel project?

A. That is correct.

Q. And do you know anything at all, in any way, about this assertion that there are some shares in Edmonton Airport held for Arnold?

A. Yes.

Q. Can you tell me about that?

A. Well, at one time Mr. Superstein discussed with me and at one time Mr. Arnold was present when he discussed the share structure and asked me if I would like to participate.

Q. And about when was this?

A. Well, the building must have been half completed so you might establish it by that. I don't remember the exact time and he said it looked like it was going to be good, its cost was not going to be extraordinary and if I would like to participate I could to the extent of ten percent. He told me that he had also offered Mr. Arnold ten percent if he wanted to participate.

- Q. And what pricing was talked of?
- A. There was no price actually talked of, he said it would be ground floor which I interpreted that when he had the costs we would pay the same as the cost to him.
- Q. This was ten percent of the share capital?
- A. That's right.
- Q. But, he gave you to understand that to buy those shares you would have to pay in ten percent of the cost of construction?
- A. Yes that was the agreement. Well, not the cost of construction but whatever would have been the cost of construction of course less the debt.
- Q. The cost of construction less the debt, that is to say, the mortgage money?
- A. Yes. I suppose plus the land.
- Q. Yes, that would be reasonable of course, and did you understand that those shares were to be sold to you on that basis if you wanted them by Superstein or issued out of the treasury of the company?
- A. I don't think that was ever discussed.
- Q. I see, and you put this discussion then at about the mid point of the construction of the building?
- .....
- Q. Was there any subsequent discussion of this?
- A. Yes, it was mentioned on several occasions.
- Q. Well, would you just deal with them, one by one in chronological order?
- A. Well on that occasion I said that I didn't have money to invest, didn't know anything about the hotel business and I thought it was much better anyway for me to keep out since it was a new hotel.



Q. Well, why was that in your mind?

A. Well, because being in government and a new hotel, it was bound to be interpreted that I had something to do with getting the license or, something like that.

Q. That is the liquor license?

A. Yes.

Q. And I recall you saying under oath that you had nothing to do whatsoever with it?

A. Nothing at all to do with it.

Q. You didn't speak to Peter Elliott?

A. I certainly did not.

Q. Or any of his staff?

A. Or any of his staff.

.....

A. So, I just declined to be interested and some time later Mr. Superstein said well, if I decide to go into it or if I were ever out of the government they would be available. Well, I said, if that time came I would consider it but at the moment I couldn't participate.

Mr. Hinman was questioned about a meeting at Superstein's house. He said:

"Yes, it seems I recall a meeting at which Mr. Prowse, Mr. Arnold and I were at Mr. Superstein's house and this (the question of shares) was mentioned again."

.....

Q. Mr. Superstein's house?

A. He just invited me up.

Q. With Mr. Arnold?

A. No, I went alone and they were there.

.....

Q. About when was this?

A. Well, the airport must have been practically completed at that time as I recall.

Q. Yes?

A. So Mr. Superstein mentioned he had made this offer and I think I repeated my position again, exactly.

.....

Q. Have you any idea why Mr. Prowse was there?

A. No. I thought Mr. Prowse was probably handling this deal for him at the time.

Q. What deal?

A. The Airport Hotel.

.....

Q. Well he wasn't there for the purpose of firming up an agreement with you in respect to shares?

A. Certainly not.

He denied that he ever gave Tanner any indication ten percent of the shares was to be his, but Tanner knew that he had been offered the shares. He asserted that he did not intend to take them at any time and was sure that Tanner, Superstein and Prowse were aware that he was not in any circumstances going to take these shares.

A tape recording of an interview of Mr. Harper Prowse (now Senator), conducted in Edmonton in January or

February, 1966, by an employee of Canadian Broadcasting Corporation, a transcript of which was tabled in the Legislative Assembly by Garth L. Turcotte, M.L.A. in February or March, 1967, was played before this Commission. As the tape, and of course the transcript, are hearsay and were accepted as exhibits on that basis, and as Senator Prowse appeared before the Commission and gave evidence, it is not necessary to comment on them.

The following transcript of statements made by Superstein on examination for discovery in the foreclosure action was read to Mr. Hinman:

Q. Who else were to be shareholders in this company?

the context shows that they are discussing the Edmonton Airport Hotel Company Limited.

A. Mr. Hinman.

Q. Mr. Hinman, what percentage . .

A. Yes, Mr. Hinman.

Q. How much?

A. Ten percent.

Q. And are they held in the same arrangement?

A. Same basis.

Q. To whom?

A. (Hearse)

Q. And it appears that the same arrangement because of the same basis?

A. That is correct.

Q. And are those shares still held in trust for him?

A. As far as I am concerned if they say, if . .

then over on page 13:

Q. If he wanted them he could . .

A. If he wanted them he would have, I would have to deliver them.

Q. Who else, Mr. Superstein?

A. Mr. Tanner, 5 percent.

Q. Which Tanner is this?

A. Bill Tanner.

Q. Is that the man that manages Merchants Trust Company?

A. Farmers and Merchants Trust, yes.

Q. And what was he to do in exchange for these shares?

A. Well, he was going to do all the running around for me.

Q. I see. He didn't put up any money?

A. Nobody put up any money.

Q. Mr. Hinman didn't put up any money?

A. No.

Q. What was he to do, Mr. Hinman to do for his shares?

A. Well, he was, I haven't got the exact facts, but I think he arranged the interim finance at the Treasury Branch some way or another.

Mr. Hinman was then asked if he had any further comment on this passage beyond the evidence that he had already given the inquiry in this regard, and referred to



above. He replied "None". Commission Counsel then said:

Q. ... So you confirm then that Mr. Superstein is entirely mistaken in asserting that you had something to do or the suggestion you had something to do to obtain for Edmonton Airport the \$100,000.00 interim financing for the Airport?

A. I do.

Q. And the \$50,000.00 subsequent financing?

A. Yes.

Commission Counsel continued reading from the examination for discovery:

Q. Well, at that time then you had more than one half, did you not?

(he is speaking then of holding the shares of Edmonton Airport, that Superstein had more than half in his name . . . )

A. That is right.

Q. And as yet, let's take June 27th, 1960, as the date, as yet the only other shareholders would be Hinman and Arnold and Tanner, is that right?

A. And Trebeurden.

Q. No, Trebeurden isn't a shareholder yet, this letter is offering something to them. Before they have a share . . .

A. Yes.

Commission Counsel then asked Mr. Hinman:

Q. And again you say that the totality of whatever arrangement or understanding you had with Mr. Superstein in respect of an interest in Edmonton Airport was solely as you have described, namely, an offer was being held open to you and if you accepted it, you would have to pay the proportionate share of the net cost of the venture?

A. That's right.

Commission Counsel then continued:

Q. Now, I turn to page 139 and this is what Mr. Superstein had to say:

"Q. Who other than you are directors as of today?"

and that is, as I have pointed out, June 19th, 1966 and the company being referred to is the Edmonton Airport.

"A. Silent partners Trebeurden and Hinman

Q. I am talking about directors, not shareholders?

A. Nobody else that I know of."

Mr. Hinman was then asked by Commission Counsel if he was ever a Director of Edmonton Airport, to which he replied "Never".

A further excerpt was read from the discovery:

Q. What about the holdings of Mr. Hinman and Mr. Arnold and these other people, didn't that also prevent you selling the one hundred percent shares of the company?

A. Except that I didn't have an agreement like that signed with them that was so binding on me.

.....

Q. Well, did you have any agreement with them that you could buy their shares at any time?

A. Well, the agreement with them was somewhat more flexible.

Q. In what way? What was your agreement with them?

A. Well, they were going to pay for their interest out of profits. Nobody ever figured this thing wasn't going to go.

Q. Mr. Superstein, now let's take it in stages?

A. Yes.

Q. You have made an allegation here that because fifteen percent of the shares were held by Trebeurden Real Estate that that prevented you selling the premises covered by the mortgage and then you qualify that now by saying you are talking about the sale of one hundred percent of the shares.

A. That is right.

Q. Am I not right. And, let's take Mr. Hinman first. Mr. Hinman had certain shares held by you in trust for him, is that right?

A. That is right.

And the question is pursued on page 146 of the Discovery:

Q. Am I correct that the only difference between Trebeurden and Hinman and Arnold is a written agreement?

A. Is a written agreement, that is right, which is very important.

Mr. Hinman was then asked the following questions by Commission Counsel to which he answered as quoted:

Q. And you say Mr. Hinman that Superstein at no time held any shares in trust for you?

A. To my knowledge he never did.

Q. He never expressed himself as holding any shares in trust for you?

A. No.

Q. And you say the only arrangements that you made with Superstein in respect of shares in Edmonton Airport was in effect a continuing offer open to you upon payment of the stipulated price?

A. That is what he told me.

On cross-examination Mr. Hinman was asked the following questions, to which he gave the answers quoted:

Q. And your evidence is that you were never promised any interest in this company in exchange for your services?

A. That is right.

Q. Was there any mention of any other consideration of any kind that was to move from the company or Mr. Superstein or anyone else identified with the company to you in exchange for your services?

A. None.

Tanner's evidence with respect to the shares is not very helpful. When asked if Superstein had indicated that he was going to hold some shares for either Arnold or Hinman, he replied "No". He admitted to having heard that Arnold and Hinman could pick up shares.

He said he did not, to his knowledge hear mention about shares for Arnold. He was never at a meeting when that was discussed. He was instructed to make out share certificates for Superstein in certain denominations, the exact amount of which he could not remember. When asked if he ever heard Superstein mention to him in any way that Mr. Hinman might become a shareholder, he replied "Not that I can remember . . . not in my presence".

He confirmed that he was to be given a chance to purchase shares in lieu of money, but did not agree with the suggestion that he knew that Mr. Hinman and Arnold



also were to be given the same chance to purchase shares.

Arnold confirmed that he brought Lyle of Credit Foncier and Superstein together to discuss the financing of the Airport Hotel. He had learned of the transaction from Superstein, whom he had known long before. He was not introduced to Superstein by Hinman.

He explained his work in connection with the project as not being the preparation of plans, but liaison, checking on contracts, checking the work, and coordinating the general contract on the whole. Mr. Hinman, he said, did not have anything to do with the arrangement he made with Superstein. He was to be paid \$2,000.00 for the work he did, and he was paid.

He recalled the meeting at Superstein's home attended by Hinman and Harper Prowse. At that meeting Superstein said he could make available to him (Arnold) and Hinman, each ten percent interest in the hotel. Mr. Hinman, as he recalled, said he was not interested in the shares at that time. The basis on which the ten percent would be made available was not discussed.

The next occasion he recalled the matter of shares being mentioned was about three months later while driving to the airport on a Sunday morning after construction on the hotel had started, Hinman, Tanner and Superstein all being in the car with him. The discussion was to the effect that he and Hinman could

have ten percent and Tanner five percent of the shares of the company. He stated that neither Superstein nor his solicitor had ever contacted him to pick up his shares. He had the impression that any time he figured he had cash available, he could pick up the shares. He said that after Superstein got into difficulty with Credit Foncier, he never asked him to make a contribution.

Superstein testified to the effect that after the project was under way it was suggested that Hinman, Tanner and Arnold could buy an interest in the hotel venture on the ground floor. As far as he was concerned there was an acceptance, and he had three partners in the hotel from that moment on. Percentages were not discussed at that time. He then discussed the matter with his counsel, Harper Prowse, and advised him of the split under which Hinman and Arnold were each to get ten percent and Tanner five percent of the shares in the company. He confirmed that he told Mr. Hinman that he would have to pay for the shares, but was not too specific as to how much he was to pay. He stated that he had in mind that the basis on which they would be charged for the shares was the net cost of the enterprise to him in equity money. He considered that Hinman was obliged to take the shares, although no specific time was set. It was, he said, an unknown quantity how long it would take to complete the hotel or how much it would cost.

He admitted that he never sued Mr. Hinman for the cost of the shares, and confirmed that he did not give any financial help to the hotel. After the hotel got into financial difficulties and the ship was sinking, he said "There were no longer any partners". He could not recall any discussion about Mr. Hinman not wanting to put shares in his own name because he was a Cabinet Minister.

Superstein admitted, on cross-examination, that he did not give his solicitor particular instructions to write a letter to Hinman, Arnold and Tanner, asking for payment for the shares, because they could never arrive at the final cost of the hotel, nor had he personally written to Hinman or Arnold and asked them to send a cheque for the shares. He could not recall having endorsed any of his share certificates so that new ones could have been prepared for Hinman, Arnold or Tanner, and had never read any Shareholders' Minutes incorporating a transfer of these shares. He could not recall Mr. Hinman saying at the meeting at his home, attended by Prowse, that he did not want to buy any shares. He said: "There was no question in my mind that they (Hinman, Tanner, Arnold and Trebeurden) were partners of mine in the Airport Hotel." He agreed that it was his contention now that they should have shared in the losses, but admitted that he never asked Hinman to assume part of the personal guarantee he had

given Credit Foncier.

Senator Prowse was solicitor for Superstein and Airport Hotel in 1959, and until difficulties with Credit Foncier had been finished up. He confirmed that he had been given a complete release of privilege by Superstein arising out of his solicitor-client relationship, to answer any questions on this inquiry without any hesitation or drawback.

The Senator testified that there was never any suggestion at any time that Hinman was in the hotel project because he was going to be providing money nor, he said, was there any "suggestion at any time that Hinman was involved or being used because of his office". With respect to the interim financing by the Treasury Branch he looked upon it as a favour to Hinman from the operations point of view, for the Treasury Branch to be getting such substantial business.

At the time the share certificates were being issued to Trebeurden, he said Superstein told him there was to be ten percent each for Hinman and Arnold and five percent for Tanner. When he remarked he might as well issue the certificates while he was at it, Tanner said "No, I don't think you had better issue Ted's because I don't think he would want them in his own name". They were never issued. Superstein told him that he had to keep the shares in a position so that he could deliver



them to these people. During the course of his examination, the Senator said:

"I didn't know whether he was, whether he was to pay anything for them or not. I knew that one of the things he was to do was that he was to expect to be useful at the time when, if and when we got around to either needing further financing, which would be big financing at that stage, or looking for a sale and, I suppose, giving the company some prestige."

He could not recall the meeting at Superstein's home, attended by himself, Hinman, Arnold and Tanner, at which the shares were discussed, but said he could not think of any occasion on which Mr. Hinman said he did not want shares, nor any particular occasion when he said he did want shares. He confirmed that he never received specific instructions to prepare the allocation of shares to Hinman or Arnold, and agreed that that was the reason why no Minutes were ever prepared.

With respect to financing he said that one of the reasons why they wanted to do the interim financing with the south side Treasury Branch, was because it was convenient for anyone working on the hotel. On being asked by Mr. Hinman if Tanner ever represented himself to him as his agent, he replied on one occasion with respect to the Avenue West transaction (referred to further on in this report). He agreed that any of the meetings held in connection with the hotel

project were not formally called meetings.

He admitted that he had never received instructions from Mr. Hinman to hold shares for him.

On being cross-examined by Mr. Hinman, he was asked with respect to his evidence - "Mr. Prowse, you will agree that you assumed these things from conversations with largely other people?", to which he answered:

"Quite clearly a lot of the things were assumptions that I got from conversations and things that had happened, I can't pin things down to particular conversations or particular times."

Mr. Hinman then suggested that on no occasion did he tell him that he was going to accept shares, or expected them, or wanted them, to which the Senator replied:

A. The furthest I can go, Mr. Hinman, would be, and even with this I would have hesitation about pinning it down, was that there may have been discussions of the shares in your presence and you made no demur about it. Now, this is as far as I can go, this is an assumption on my part from the conversations; and in my own mind I am satisfied that you knew that we thought that you were a shareholder. Now, this is my own feeling.

Q. You assumed?

A. I assumed that and I still do.

With respect to Mr. Hinman having a share interest in the company there is no conflict of evidence as to his being offered shares in the company by

Superstein, but there is a conflict between his evidence and that of Superstein as to whether he accepted this offer. Hinman asserted that he did not accept the offer, while Superstein asserted that he did, and referred to him, along with Arnold and Tanner, as his "partners". Senator Prowse could not recall Hinman saying he did or did not want shares, and did not know whether he was to pay for them or not, but assumed that he was a shareholder. Hinman and Superstein were agreed in their evidence given on the inquiry, that Hinman was to pay for the shares, but on his examination for discovery in the foreclosure action referred to above, Superstein gave evidence to the effect that Hinman's shares were for his having arranged the interim financing with the Treasury Branch. This was specifically denied by Hinman, and his evidence in this regard is supported by that of C. G. Davey, Superintendent of Treasury Branches.

The equity value of the shares was never determined, no share certificates were endorsed for transfer by Superstein, nor were any shares issued in the name of Hinman, nor were instructions given for this to be done. No instructions were given by Superstein to his solicitor to ask for payment for the shares, nor did he ask or sue for payment.

On the basis of this evidence a finding either that Mr. Hinman agreed to accept shares in Airport

Hotel, that shares were held in trust for him, or that he was a partner in this venture, is not warranted. The evidence does, however, further demonstrate the extent to which Mr. Hinman had become involved in Superstein's business affairs, to which reference will be made further on in this section of the report.

(6) Dredges

This relates to two dredges, called "Clarence B. Randall" and "Joseph L. Block", and auxiliary equipment. An affidavit was sworn by one Joseph Wynand Vroom, of the City of Calgary, on the 2nd of April, 1967, the only parts of which pertinent to this inquiry, are allegations that at a private meeting with Hinman, following his introduction to him at his office in Edmonton, he was led to believe by Hinman "clearly and unmistakeably" that the above-described dredges belonged to the Alberta Government and that he was given to understand by Hinman that these two dredges were going to be used by the Alberta Government for the removal of muskeg and cultivation of land in Northern Alberta.

On having this affidavit read to him, Mr. Hinman confirmed meeting Vroom in his office but could not recall the names of the two business associates who accompanied Vroom there. Vroom, he said, represented himself as a European business agent, and must have known



about the dredges before he came to his office, as it was he who first mentioned them in the conversation, although Hinman himself also knew about them at that time. Hinman confirmed a memo showing the two dredges to be owned by Inland Steel Company and Joseph Block respectively in the records of the Shipping Registrar at Ottawa.

He had come to know about these dredges through a man by the name of Arnoldrussen, a Dutchman who he had known for a few years, who informed him that these two dredges were under a listing for sale to a company called Off-Shore Equipment, whose Manager was a Mr. McGeehee. The latter had offered Arnoldrussen a commission if he would help to sell them. Early in 1961 Arnoldrussen asked him if he would finance a trip for him to Holland to see if he could sell the dredges. The dredges were then at a place called Atikokon, Manitoba, where they had been in use by Caland Ore. Mr. Hinman agreed to do so to the extent of approximately \$1,000.00, to be treated as a loan.

Mr. Hinman was shown a memo containing information extracted from the annual reports of Caland Ore Company Ltd., and confirmed that he did not know any of the officers of this company, all resident in Chicago, Illinois.

Arnoldrussen, he said, returned from Europe enthusiastic about the possibility that R. Boltje & Zonen, a Dutch Company, would purchase the dredges. He felt that he would have to make other trips to Europe and help the proposed purchasers find jobs for the dredges. Mr. Hinman, feeling he could not furnish any further financial assistance, referred him to Mr. Cliff Walker of Calgary, who in turn discussed the matter with a Mr. Hanen, and finally Superstein. He said he met with them and discussed whether this project was worth putting money into. They felt the dredges were being offered at a fraction of their worth, and that if they could be optioned they could be sold at a considerable profit. He too became interested. They succeeded in getting an option from either Inland Steel or its subsidiary, Caland Ore, to purchase the dredges, for which option they paid the sum of \$50,000.00. To finance this sum Hinman, Hanen, Superstein and Walker borrowed \$52,000.00 Canadian funds from the Imperial Bank, all becoming liable on a joint promissory note. Walker and Arnoldrussen made many trips endeavoring to sell the dredges. Walker incorporated a company in the Bahamas called "ABC (Bahamas) Dredge Company Ltd." (hereinafter referred to as "ABC"), of which Mr. Hinman said he discovered later he was a Director, along with Walker.

About this time, he said, Vroom came into the picture. He referred him to Walker, who financed a trip for him to Holland to try to sell the dredges to Boltje & Zonen, who wrote to him on the 6th of September, 1961, confirming that they were interested in purchasing dredging materials in Canada, on condition they get an allowance for working in Canada and a favourable arrangement for payment.

On the 14th of December, 1961, Mr. Hinman wrote to Vroom referring to a telephone conversation he had had with the Deputy Minister of Finance, Ottawa, with respect to the eligibility of a foreign controlled company for government and private work contracts in Canada. The Deputy Minister confirmed that a Canadian company in good standing in any province, and using equipment of Canadian origin, was eligible for any type of work in Canada. He also informed Vroom in this letter that a company called "Tide Water Dredging and Construction Ltd." was available through a lawyer in Lethbridge for \$5,000.00, and suggested that would be ideal for the purpose of the client of whom he (Vroom) had spoken. He offered to assist his client in any possible way to facilitate matters he might bring to his attention. This letter was written on the official stationery of the Provincial Treasurer, and was signed by Mr. Hinman as such.

In a letter dated the 2nd of January, 1962, from ABC, signed by Walker to Vroom, reference is made to a discussion that day with him, and his previous discussions with Hinman, and authorizing him to negotiate with Boltje & Zonen on their behalf for the sale of the two dredges for the price of \$1,800,000.00.

On the 5th of January, Boltje & Zonen wrote to Vroom, referring to his visit to their office, and confirming that they remained interested in the purchase of the dredging materials in Canada.

On the 6th of January a telegram was sent by Off-Shore Equipment Sales Inc., signed by McGeehee to Vroom, confirming a telephone conversation price \$1,250,000.00, for entire contingent equipment, and stating "A full authorization to handle above. Confirm receipt this message via telephone before twelve noon Miami time".

On the 10th of January Mr. Hinman wrote a personal note to Vroom in which he stated he had been informed that one of the dredges was no longer available and the other on a day to day basis at \$675,000.00; that through confidential sources he had information which led him to doubt that his (Vroom's) client would be able to perform on this deal; however, that until further notice he was still in a position to deliver if he could put up some money at once on the remaining dredge. The letter said that \$106,000.00 must be paid from any profit before



a split of the remainder could take place; that he was hopeful \$50,000.00 of this would apply on the purchase price. This information, Mr. Hinman said, came from Walker. The reference, he said, to \$106,000.00, was a reminder that McGeehee was to get \$50,000.00 and the Syndicate at that time owed \$52,000.00, which should come out first.

The outcome of this transaction was that no sale was effected.

A letter from the Canadian Imperial Bank of Commerce, dated the 22nd of February, 1963, to Superstein, indicates that the balance on the promissory note dated the 11th of August, 1961, for \$52,000.00, signed by Superstein, Hanen, Hinman and Walker, amounted to \$9,378.33. A letter to Hinman from the Bank, dated 21st August, 1964, shows \$10,200.00 to have been paid by Superstein, \$29,000.00 by Hanen, and \$5,000.00, of which there was no record of the payer, opposite to which the name of Belzberg is noted in handwriting. Mr. Hinman says this represents a payment to his credit obtained from Belzberg, who bought half of his interest in the deal when it still looked good.

On the 15th of December, 1965, Mr. Hinman drew a cheque in the sum of \$3,000.00 in favour of the Bank. This resulted from an agreement reached that if he paid \$3,000.00, and Walker gave a series of cheques to

retire his share, Superstein and Hanen were to pick up the rest of it and it was to be settled. This settlement, he said, took into account some of the original moneys he had advanced in connection with the transaction.

Superstein confirmed that the note was now paid off. He also confirmed that he knew that the dredges were not the property of the Provincial Government.

The ownership of these dredges does not appear to have any particular significance to this transaction, nor does their alleged proposed use by the Provincial Government. In any event, a letter to Vroom from ABC (Bahamas) Dredging Company Ltd. signed by C. R. Walker in his capacity as President, clearly shows Calland Ore Corp. as the owner. This letter likewise indicates the willingness of the company to turn over to Vroom their contacts for dredging in Cuba and Japan as well as in Canada. There is no reference to the possibility of dredging for the Provincial Government, nor is there anything in the letter from Hinman to Vroom of the 14th of December, 1961, to which reference has been made, that lends support to Vroom's allegations. Nor indeed is there anything about the whole transaction to suggest that the outcome would have been different were these allegations true. There is nothing in this transaction pointing to any likely advantage accruing to those involved in it by reason of Mr. Hinman's position as a member of the Executive Council.

(7) Lodgepole Mortgage

In 1963, Hinman, Superstein and Tanner purchased a mortgage on the Lodgepole Hotel situated near the Calgary Power Dam project. Nine to ten months later the mortgage was sold at a profit.

Mr. Hinman testified that Superstein brought the deal to his and Tanner's attention. The deal was financed by Hinman, Superstein and Tanner with money borrowed from the Canadian Imperial Bank of Commerce, evidenced by a promissory note which was repaid in due course. Superstein, in his evidence, confirmed that his share of the profit on this transaction was \$3,300.00, which, Mr. Hinman said, Superstein received in a settlement.

There is no particular significance to this business venture so far as this inquiry is concerned.

(8) Avenue West Property

This topic relates to property on 111th Avenue in Edmonton that Tanner bought for development. Mr. Hinman testified that Superstein was either part of the deal or had loaned Tanner \$5,000.00. He himself, he said, had no part of the transaction.

Superstein testified that Tanner told him there was a transaction available to go into, afterwards called "Avenue West". If he put up \$35,000.00 he could have one-third interest in it. He put up this amount and in

due course got back \$30,000.00, but not the other \$5,000.00 until the final settlement considered further on in this report. His contribution, he understood, was for one-third equity in the development and he understood from a verbal conversation with Tanner, that Hinman, Tanner and himself were going to share equally in the equity as partners.

Senator Prowse testified that Tanner, who was then working for Superstein, came to him and said they wanted to buy the shares in a company called Avenue West, formed for the purpose of developing a property on 111th Avenue, Edmonton, and that they did not want the owners to know the name of the purchasers. The shares were bought for \$35,000.00. Tanner handed him a cheque from Superstein in this amount, the shares were taken in Prowse's name, who became Provisional Director and President of the company until Tanner finally took over. Eighteen months to two years later he said Tanner asked for the shares. Prowse replied that they belonged to Superstein. Tanner asserted that they did not, they were Hinman's. Later he received a written demand for the shares from a solicitor, to which he replied that he would have to take it up with Superstein. Two or three months later, on instructions from Superstein, he handed the shares over to Tanner and resigned all interest in the company. This occurred in late 1961 or 1962. He had no knowledge that



Superstein, Tanner and Hinman each had one-third interest in the undertaking.

Mr. Hinman testified that in the settlement reached between Tanner and Superstein in March, 1967, it was straightened out that he (Hinman) had no interest in the Avenue West property transaction.

The evidence with respect to this transaction establishes that Mr. Hinman was not a party to it.

(9) Settlement with Superstein

Some of the transactions between Hinman and Superstein, referred to above, led to a dispute between them as to their respective liabilities to one another. The matters in dispute are recorded in a statement from Edmonton Produce, dated the 10th of January, 1964, in which the following handwritten entries appear:

"Cheque to J. L. Chapman Solicitor under instruction E. W. Hinman per my letter \$8750  
Oct. 20/1960 from EPCP. with my  
personal letter

Loan to Mr. Hinman for Garage		
operation Cardston	6000	Treasure Branch
	5000	personal
		cheque

Harper Prowse handled deal re 111 Ave  
property deal Loaned 350000 to buy  
out partners and then returned \$300000  
only bal. owing to me July 27/62 cheque  
deposited to T.D. Bank

Loan to Hinman after his brother-in-law	
died	5000

My share of profit lodge poll	
Hotel 1/3	<u>3300</u>
Total	280050
Commission re sale	
Edmonton Produce	<u>150000</u>
	\$130050 "

Mr. Hinman confirmed the \$8,750.00 item as a loan of capital to Reo Investments Ltd. for the Leduc Apartment project, \$6,000.00 as the loan to B & R Services, \$5,000.00 as the balance claimed by Superstein from the 111th Avenue property deal, in which, although Superstein thought he was involved, he was not. \$5,000.00 was the amount deposited in his account by way of a loan, and \$3,300.00 Superstein's share of the profit in the Lodgepole deal. The sum of \$15,000.00 refers to the commission on the Edmonton Produce deal, which he said should have been \$17,000.00.

On the 8th of December, 1965, Superstein wrote a letter to Hinman in which he said:

"Regarding my discussion of December 7/65, in Mr. Sam Hanen's office, it is now obvious that the difference of opinion exists between you and myself, and it is too great to settle.

I therefor find it necessary to turn over my entire files to my legal department immediately, and they will of course advise you in due course.

I see no further useful purpose in meetings. After careful deliberation it is with regret that I come to this final decision."

With respect to the meeting in Hanen's office referred to in the above letter, Mr. Hinman said that it was not a planned one and occurred by chance. At this meeting, he said, they discussed the dredge deal, Leduc Apartments, probably the commission on the sale of Edmonton Produce. They were unable to reach an agreement on what they thought was a fair settlement.

On the 9th of March, 1966, N. W. Simons, solicitor for Superstein, wrote to Hinman to the effect that he had been retained by Superstein to seek resolution of the various transactions in which he was involved, and allowing him five days in which to acknowledge certain liabilities and account. On the 11th of March Hinman replied asking to be furnished with details of the liabilities referred to. On the 8th of June, Mustard and Pecover, solicitors for Superstein, wrote to Hinman reciting loans and indebtedness which Superstein was concerned to have repaid, which were:

- (a) Bank deposit, 27th July, 1962, \$5,000.00.
- (b) Loan re Cardston Garage, \$6,000.00.
- (c) Deficit in refund from 111th Avenue property transaction, \$5,000.00.
- (d) Share of Lodgepole Hotel transaction, \$3,333.00.

Payment was demanded within five days, failing which the letter said they were instructed to commence Supreme Court action without further notice.

In a reply dated the 14th of June, Hinman pointed out that items (a) and (b) had been repaid by contra account. With respect to item (c), that while he was not a shareholder in Avenue West development, this item had been settled by contra account; with respect to (d), that their client was aware that his, (Hinman's) part in the transaction was the backing of credit to make the transaction possible, and that he himself made no commitment to anyone to share profits. He offered to give further explanation when he was next in Edmonton.

When asked to explain his remarks with respect to Item (d) Mr. Hinman stated that it was not his personal responsibility, as he did not handle the transaction or make a commitment.

On the 21st of October, 1966, Superstein commenced a Supreme Court action against Hinman in which he claimed judgment for the \$5,000.00 deposited to Hinman's account with the Toronto Dominion Bank on the 27th of July, 1962, and judgment for \$6,000.00 paid to B & R Service Ltd. on the 3rd of July, 1961, together with interest.

This action was discontinued, a settlement being effected.

Superstein testified that the first meeting with Hinman with respect to a final settlement occurred on the 10th of March, 1967, at which all outstanding



accounts were settled. When asked why he did not acknowledge the \$17,000.00 commission for the sale of Edmonton Produce business in the 1966 correspondence, he said he felt that the amount owing to him in all the deals, including the Airport Hotel, exceeded that amount.

Following is the Memorandum of Agreement with respect to the settlement made on the 10th of March, 1967:

"It is agreed and understood between the parties hereto that in consideration of the payment by the said W. E. Tanner to the said Jake Superstein, of the sum of Five Thousand Dollars (\$5,000.00), there shall be no further claim by any of the parties hereto against any of the other parties hereto with regard to Avenue West Development Ltd., Lodgepole Hotel, the Dredges once under option from Kayland Ore Inc., Reo Investments Ltd., Edmonton Produce Ltd., Airport Hotel Ltd., B & R Service (Cardston) Ltd., and without limiting the specific items mentioned, any other claim of any nature whatever whether personal or otherwise.

It is further agreed that \$2,500.00 - Two Thousand and Five Hundred Dollars - shall be paid forthwith and such payment is hereby acknowledged. The balance of Two Thousand and Five Hundred Dollars (\$2,500.00) shall be paid within six months of the date hereof."

The agreement is signed by Hinman, Tanner and Superstein.

Superstein confirmed that, pursuant to the agreement, he got a cheque from Tanner for \$2,500.00 and a note for \$2,500.00, which has since been paid. With respect to the reference in the agreement to the Airport Hotel, he said that he did not want any more litigation

and it was questionable whether he could establish a liability with respect to the hotel, although he said there was a moral obligation certainly, - he wanted to settle the whole thing. He felt he gave a fair and reasonable settlement. Mr. Hinman stated with respect to this settlement that it was agreed at that time that he had no part in the 111th Avenue property deal, that the \$5,000.00 deposit loan and the \$6,000.00 loan to B & R Services was credited against the \$17,000.00 commission for the sale of Edmonton Produce, and that settlement of the balance was made between Superstein and Tanner.

(10) Superstein's View of the Relationship

The first recollection Superstein had of meeting Mr. Hinman was in 1959 or 1960, in Ottawa. Superstein was there on egg and poultry business, and Mr. Hinman there on some other matter. One evening they met in the Chateau Laurier at which time they discussed problems of the agricultural industry, particularly vertical integration. After that, he said, they met socially and on different occasions he visited Mr. Hinman in his office.

In the course of questioning by Counsel and Mr. Hinman at different stages of his Examination in Chief and cross-examination, Superstein was queried about the nature of his relationship with Hinman. Some of the

questions and answers appear below:

Q. Did you visit Mr. Hinman at his office?

A. Yes.

Q. Frequently?

A. Quite often.

Q. During his business hours?

A. Sometimes his business hours and sometimes after business hours.

Q. For what purposes, always to discuss business?

A. Business and otherwise.

Q. Did you discuss at any time your business in connection with the government or government influence?

A. Never.

On being questioned by Mr. Hinman:

Q. Now, regarding meetings in my office, had you any knowledge of what time in the morning I went to work at my office?

A. Sometimes as early as six-thirty, seven o'clock - - -

Q. And you being an early-riser, did you ever come there early and spend a half hour with me?

A. Yes.

Q. And sometimes after hours?

A. Yes, sometimes as late as ten o'clock at night.

Q. Now, regarding our social meetings, I had said that we, neither of us were mixed up in the social life of the city, but did we meet for lunches on Saturdays quite frequently and have little visits?

A. Yes, Saturday afternoons and sometimes we would have a fresh cup of coffee in the Parliamentary Coffee Shop.

Q. Just friendly visits?

A. Yes, chat.

On being questioned by Counsel:

Q. Did you try to gain his friendship because he was a Cabinet Minister?

A. No.

Q. Did you have in mind that you could use his influence perhaps to assist you in your business, that is, his influence as a Cabinet Minister?

A. No.

Q. Not at all, sir?

A. No, I didn't need his influence.

Q. You needed his help in Edmonton Produce, did you not?

A. Well, I said two heads are better than one.

.....

Q. . . . but what I am coming to is this, Mr. Superstein, you are in partners, you say with Mr. Hinman who is, was then the Provincial Treasurer, was that a factor in your thinking when you decided to link up with him in all these ventures?

A. No, had no bearing.

Q. . . . and what value did you think you were getting out of an association with Mr. Hinman who happened to be Provincial Treasurer at that time?

A. I wasn't getting any value, he was a good friend of mine and if we could go into . . . I also knew that he had sold some land with Mr. Tanner to Mr. Belzberg called Marsh Farm and I knew he was dealing . . .



.....

A. . . . . and so I was very proud of Mr. Hinman's association with me and I went along, hoping it would be profitable.

Q. It looks to me that in the end result you barely broke even, Mr. Superstein?

A. Oh, no, I lost.

Q. Well then, you lost money by putting money into ventures in which Mr. Hinman was interested and which he spoke to you about and suggested you come in, is that what you are telling us?

A. Yes, and he meant well, I think.

Q. Well now, Mr. Hinman had no financial interest in this company (Edmonton Produce), did he?

A. None whatsoever.

Q. Did he have any other interest at all in the company or was it just based on his personal friendship with you?

A. Strictly personal friendship. I have a great respect for Mr. Hinman.

Q. You had a lot of respect for his business judgment, is that correct?

A. It goes farther than that.

Q. Well, you respected him as a friend and as a businessman?

A. I respected him as a dear friend of mine.

.....

Q. Were you still a friend of his when you sued him, sir?

A. Well, I wasn't an enemy, I wanted to collect my money.

(11) Hinman's View of the Relationship

Hinman's recollection of his first meeting with Superstein was an occasion in 1955 or 1956 when he was introduced to him in the Legislative Building by Gordon Taylor, who with Superstein was then a member of the Board of St. Mary's Boys' School.

Some of the questions and answers in the course of Mr. Hinman's testimony follow:

- Q. Mr. Hinman, in the course of your direct examination you mentioned a conversation you had had with Mr. Gordon Taylor with regard to Superstein, do you recall that?
- A. I do.
- Q. Could you give us a little more in detail what that conversation was?
- A. Mr. Taylor told me that Mr. Superstein was a member of the council or whatever it is of the boys school, St. Mary's Boys School.
- Q. Do you know that organization?
- A. Yes, I do.
- Q. It's a charitable organization?
- A. That's right.
- Q. Go ahead.
- A. That he gave freely of his time and helped them in any other way that he possibly could.
- Q. Yes, and was that the inception of your acquaintance with Superstein?
- A. That's right.

Q. And did you become fairly close friends after that time?

A. Yes, we did.

.....

Q. Yes, well now, did you get the impression that the initiative was coming from Mr. Superstein in furthering this acquaintanceship?

A. No, he made no approaches.

Q. And this developed over the years?

A. That's right.

Q. Now, did it culminate in a social relationship?

A. I think it did, yes.

Q. Did you attend functions, social functions in his company?

A. Yes.

.....

Q. How did you come to take such an interest in Mr. Superstein's affairs?

A. I think it was very simple. I discovered that Mr. Superstein was a fellow who was giving a great deal of his time and help to individuals, to people who needed it. He seemed to be most interested in helping people.

.....

Q. Yes, and then he came to consult you did he not on the affairs of Edmonton Produce?

A. I don't think he came to consult me, I think the infrequent visits, sometimes we visited for a few hours on Saturday afternoon, this just gradually grew up, this relationship.

.....

Q. Did the fact that you were a Provincial Treasurer have anything to do with his eagerness to invest in your businesses?

A. I am sure it didn't.

Q. Why do you say that, sir?

A. Because at no time did he ever intimate he wanted favours from me in my position.

.....

Q. Did he ever ask you for favours?

A. No.

.....

Q. Did Mr. Superstein ever ask you to do things in your position as a cabinet minister for his particular benefit?

A. He did not.

Q. Did you ever agree to do things for his particular benefit?

A. No.

.....

Q. Well he was a fairly close personal friend and business associate of yours?

A. That is right.

The evidence with respect to the foregoing business transactions in which Hinman and Superstein were involved, establishes that as a result of the relationship between them, advantages accrued to Mr. Hinman. The loan of \$6,000.00 to B & R Service, the personal loan of \$5,000.00, the profit on the Lodgepole mortgage, the commission earned on the sale of Edmonton Produce, all benefitted Mr. Hinman.

The evidence does not however, establish any advantage accruing to Superstein attributable to the use



by Mr. Hinman of his prestige and authority as Provincial Treasurer. In particular the evidence does not disclose any intervention by Mr. Hinman with respect to credit extended by the Treasury Branch to Superstein or any of his companies.

However, Superstein's answer to a question on his examination for discovery in the Airport Hotel foreclosure action, quoted above, in which he said in effect that in return for shares in Airport Hotel Hinman arranged the interim financing with the Treasury Branch, can be taken, notwithstanding his evidence to the contrary in this inquiry, as indicative that Superstein assumed he was deriving substantial benefits from his association with the Provincial Treasurer. This assumption demonstrates how imprudent it was of Mr. Hinman to have placed himself under obligation to Superstein by accepting the loan to B & R Service, and the personal loan to himself, and to have become involved to the extent that he did in Superstein's business affairs, in particular with respect to Airport Hotel, and as a member of the Management Committee of Edmonton Produce. By this imprudence he rendered himself open to the same assumption by anyone aware of this relationship, notwithstanding, as pointed out by Davey, Superintendent of Treasury Branches, that the granting of credit by the Treasury Branch is not subject to any control either by the Provincial Treasurer or by the Treasury Board, of which Hinman was Chairman, and that he did not in fact in any way intervene with respect to this interim financing.

### 3. FARMERS AND MERCHANTS TRUST

Evidence with respect to this topic will be considered under three headings:

- (1) Historical record.
- (2) Re-registration of the company.
- (3) Employment of Nolan Hinman.

#### (1) Historical record

This company was originally called "The Canadian Trust and Loan Co. Ltd." The Annual Report for 1956 shows an authorized capital of \$50,000.00, divided into 500 shares of \$100.00 each. At that time there were three shareholders. On the 13th of November 1957, the name of the company was changed to Farmers and Merchants Trust Company Limited (hereinafter referred to as "Farmers and Merchants Trust"), and the capital was divided into 50,000 shares of \$1.00 par value each, and on the same date the three existing directors were replaced by George L. Marks, Jan Marks and W. C. Barron. On the 21st of November it was converted into a private company and the capital was increased to 250,000 shares with a par value of \$1.00 each. On the same date a return of allotment was filed with respect to 249,700 shares issued to George L. Marks. Likewise on the same date the provisions of a Memorandum of Association with respect to the objects of the company were amended to permit the company to take

deposits. On the 4th of March 1958, an Order-in-Council was passed appointing A. Gordon Burton, C.A. to investigate the affairs of the company. On the 24th of March an Order-in-Council was passed cancelling the registration of the company pursuant to Section 15 of The Trust Companies Act, R.S.A. 1955, Chapter 345, on the grounds:

- (1) That the company is not bona fide carrying on the business of a Trust Company.
- (2) That the company has invested trust moneys in securities not authorized under the provisions of section 3 of The Trustee Act, being Chapter 346 of the Revised Statutes of Alberta, 1955.
- (3) That the manner in which the company's affairs are managed is irregular and is calculated to jeopardize the interests of persons dealing with the company.

On the 5th of August 1958, an Order-in-Council was passed approving registration of the company subject to certain conditions. On the 27th of August 1958, Sam Hanen became a director replacing Barron. The Annual Report for this year shows G. L. Marks as holding 124,900 shares, Jan Marks 100 shares, and Sam Hanen 125,000 shares. On the 4th of September 1959, the capitalization was increased to \$1,250,000.00 by creation of 100,000 preferred shares of the par value of \$10.00 each. On the 21st of March 1960, Nolan Hinman was appointed director. In that year the financial statement as at the 30th of April 1960, shows a net income from the 31st of October 1959 as \$5,023.71.



The annual return for 1960 shows Nolan Hinman as holding 1,000 shares, 500 by transfer from Marks and 500 by transfer from Hanen Investments. On the 10th of February 1961, the capital was increased to \$2,000,000.00, and on the 10th of September 1961, the company was converted into a public one. On the 10th of November 1961, L. D.Crestohl, Q.C. and The Honourable Gaspard Fauteux, P.C., both from Quebec, replaced Jan Marks and Lena Hanen as directors. The Annual Report for that year shows shareholders in excess of sixty. The financial statement for the year ending October 31st, 1961 shows a net income of \$159,887.93. On the 26th of February 1963, a Notice of Directors shows G. L. Marks as having resigned as director by letter showing his address as Miami Beach, Florida, U.S.A. The Annual Reports for the years 1961 to 1964 show Nolan Hinman's shareholdings as being 7,000; 7,000; 8,000; 20,000 respectively. A Return of Allotment dated the 20th of October 1964 shows 10,500 shares allotted to Nolan Hinman for cash. On the 15th February 1965, Nolan Hinman resigned as director.

(2) Re-registration of the company

Mr. Hinman testified that he met George Marks in about the year 1957 and that he had no business dealings whatsoever with him and did not participate in the corporate actions of Farmers and Merchants Trust before or after its



re-registration. Nor, he said, did he have any conversations whatsoever with either E. R. Hughes, the Deputy Provincial Secretary, or James Warr, the Registrar of Companies, with respect to the re-organization of Farmers and Merchants Trust. He confirmed that he never had any investment or beneficial interest, direct or indirect, of any description, in Farmers and Merchants Trust.

Shortly after the Order-in-Council suspending the company, Mr. Barron phoned him and told him they felt the company had been unjustly suspended and wanted to know how to proceed. He met briefly with Barron and Marks. They were of the view that their suspension was due to purchasing discount mortgages. Hinman said he could not do anything but report to the Premier, which he did. A meeting was arranged attended by Hanen, Marks, Hughes and the Deputy Attorney General. Evidence was presented at this meeting that other companies were in fact buying discount mortgages. The Premier said that their case would be considered.

James Warr, Registrar of Companies, pointed out with respect to his certificate dated the 21st of November 1957, relating to the amendment to the Memorandum of Association conferring power on the company to take money on deposit, that this certificate was founded on a court order and that he did not have to consult anyone before issuing the certificate, and that this was not a matter in which any

influence could be exerted on him as he was discharging a statutory duty and complying with the court order.

It was his recollection that following the cancellation of the registration of the company, Marks had appealed to the Executive Council for a review of the cancellation and that two Ministers, one of whom was Mr. Hooke, and the other Mr. Hinman, were appointed to look into the affairs of the company. In due course they reported back to a meeting attended by himself and the Deputy Attorney General, and Mr. Friedman, solicitor for the Attorney General's Department. It was determined at this meeting that it would not be improper to reinstate the company subject to certain restrictive controls which were to be spelled out by Order-in-Council. When asked if at any stage Mr. Hinman attempted to exert either influence on him personally or by virtue of his office for the reinstatement of Farmers and Merchants Trust, he answered "No, never". He confirmed that his branch made several inspections of the company's affairs to see if the restrictions imposed by the Order-in-Council reinstating the company were being adhered to.

E. R. Hughes, former Deputy Provincial Secretary, explained two of the reasons why the Order-in-Council dated the 4th of March 1958, providing for an investigation of the company was passed. One was that the rate of interest being offered on deposits appeared to be fairly high. The other

was that there was an implication in the company's advertising that the deposit certificates were guaranteed by the Federal Government. He confirmed that he arranged a meeting attended by the Deputy Attorney General, the Provincial Auditor, Warr and himself, and was given advice as to what his recommendation should be with respect to this company. This led to the company's registration being cancelled. He stated that Mr. Hinman never had anything to do with it at all. Hughes was absent from Edmonton when the recommendation for reinstatement of the company was made, but on his return was instrumental in further requirements to be met by the company being included in the Order-in-Council. He stated that throughout the whole of this matter, Mr. Hinman never communicated with him to use his influence in any way.

The evidence with respect to the re-registration of Farmers and Merchants Trust establishes that this was done pursuant to an Order-in-Council upon the recommendation of a committee comprising the Deputy Attorney General, the solicitor for the Attorney General's Department, the Registrar of Companies, Honourable A. J. Hooke and Honourable E. W. Hinman. The evidence does not point to Mr. Hinman having played any particular part in this collective decision.

(3) Employment of Nolan Hinman

On the 1st of January 1959, Farmers and Merchants Trust opened an Edmonton office with Nolan Hinman, son of E. W. Hinman (hereinafter referred to as "Nolan"), in charge. Three matters arising out of this occurrence will be considered.

- (a) The circumstances under which Nolan was hired.
- (b) Nolan Hinman's share interest in the company, and
- (c) E. W. Hinman's involvement in the affairs of the company.

(a) Hiring of Nolan Hinman

Mr. Hinman testified that in the fall of 1958, after the reinstatement of the company, Marks and Hanen came to see him at his office and said they would like to hire his son. He replied that Nolan was old enough to make his own decision, but he would prefer him to continue his education. They made an arrangement with Nolan which he brought to him for his advice. He pointed out to Nolan that it was a matter of just simple wages such as he could get anywhere, but he could suit himself. Nolan, he said, was then twenty-one years of age, had completed one year at University and was then working for Reo Realities.

He said that he mentioned to Marks that Nolan had little experience, but Marks said they would do nothing



in Edmonton except receive deposits and that they would take him to Calgary and give him whatever training he required. His first recollection of meeting Marks was when he, in the company of Tanner, came to see him and expressed an interest in purchasing the Social Credit League building on Jasper Avenue, Edmonton. Hinman's connection was as a member of a group who had signed notes with respect to this property.

On the 21st of August 1964, Marks issued a statement of claim as plaintiff against E. W. Hinman, Nolan Hinman, Sam Hanen and Farmers and Merchants Trust Co. Ltd. as defendants, which was filed as an exhibit in this inquiry. Hinman filed a statement of defence in which he denied the various allegations against him.

On the 30th of November 1964, an order was granted directing the plaintiff to furnish security for costs in the sum of \$1,000.00 in respect of the action against E. W. Hinman within two months from the date of entry of the order, and service of a copy on the plaintiff's solicitor, and providing that in default of the plaintiff giving such security for costs the action with respect to E. W. Hinman would be dismissed, unless a judge of the Supreme Court, on special application, should otherwise direct. No security for costs was furnished by Marks. The action accordingly stood dismissed, and a bill of costs was taxed in due course. Mr. Hinman said he never heard further from Marks.

Reference will be made to those portions of the statement of claim with respect to which witnesses were examined.

In paragraph 8 it is alleged that -

"... in the month of June, 1958, the Defendant Hanen approached the Plaintiff with the request that he be allowed to become a partner of the Plaintiff in the operation of the Corporate Defendant and all other Canadian ventures of the Plaintiff in return for the payment of \$75,000.00 to the Plaintiff. The Defendant Hanen advised the Plaintiff that the registration of the Corporate Defendant would be reinstated if the Plaintiff hired the Defendant Nolan E. Hinman as manager of the Corporate Defendant's office in Edmonton and took the Defendant Hanen in as a partner."

This allegation was read to Mr. Hinman and the following questions were asked to which he answered as quoted:

- Q. Now, your evidence then is that the company had already been reinstated before there was any discussion?
- A. With me or with Nolan, I am sure that's right.
- Q. Well, I am speaking of you particularly because you are the one that is mentioned.
- A. Yes, that's right, it had never been mentioned to me.
- Q. That is your oath, is it?
- A. That's right.
- Q. That no question of the engagement of Nolan arose for your consideration from any source until after August of 1958 when the company had already been reinstated?

A. That's right.

Q. And that you had up to that moment of time nothing to do with the reinstatement excepting the formalities that you have mentioned?

A. That's right.

Q. There had been no personal intervention?

A. No personal intervention.

On cross-examination he was asked if he ever at any time told Mr. Hanen any of the things mentioned in paragraph 8, to which he replied "Never at any time".

On further cross-examination he was asked "Did you have anything to do with him (Nolan) achieving this position in any way?", to which he answered "I certainly did not".

On being asked if he ever had anything to do in any way whatsoever with the business operations of Farmers and Merchants Trust, he replied "Never anything", other than an attempt to settle a dispute involving Marks and Hanen, which will be referred to further on in this Report. He specifically denied that he had ever received any money from Farmers and Merchants Trust other than his air fare for a trip to Florida in connection with this dispute.

It was further alleged in paragraph 19 of the statement of claim:

"The Plaintiff alleges that the Defendant Hanen and the Defendant Edward W. Hinman are partners and facilitated the borrowing of money by each Defendant from their respective banks. If the Defendant Edward W. Hinman needed money to finance a transaction, the Defendant Hanen arranged with the Toronto-Dominion Bank to supply the Defendant Edward W. Hinman with the necessary money, whether by a letter of credit or by endorsing a note. The Defendant Edward W. Hinman in turn made the necessary arrangements with the Provincial Treasury Branch to increase the Defendant Hanen's line of credit or loan with the Provincial Treasury Branch to cover the amount of money borrowed from the Toronto-Dominion Bank by the Defendant Edward W. Hinman."

Mr. Hinman testified with respect to the allegation that he and Hanen were partners and together arranged to borrow some of the money from various banks, that that related to the Leduc Apartments and the Dredges transaction, and nothing more. With respect to the allegation that he made arrangements with the Treasury Branch to increase Hanen's line of credit, when asked if he had or attempted to have any influence on the Treasury Branch, he replied "None at all".

Nolan Hinman at the time he testified was thirty-one years of age. He studied one year (1956-57 term) at the University of Alberta in the Faculty of Education. He confirmed that he joined Reo Realities and Reo Sand and Gravel in 1958 when the activities of the companies were picking up and additional help was needed. His duties with respect to both companies entailed bookkeeping and management. After joining Farmers and Merchants Trust he did not keep up any



activities in any of the Reo companies.

Nolan testified that he was introduced by his father to Marks and Hanen some fifteen to thirty days prior to his being hired. He could not recall the circumstances leading up to this introduction. In the course of conversation with Marks and Hanen, at which he assumed but could not be sure that his father was not present, they informed him if he was interested in joining their company they would employ him in the office which the company proposed to open in Edmonton commencing at a salary of \$300.00 a month. He was assured, he said, that the future in this company was good, as it was a young company just starting out. When the Edmonton office obtained deposits of \$1,000,000.00, his salary would be increased to \$500.00 per month. He was informed that he would receive his training for the position in Calgary. He asked a time to think about it, and after discussing it with his father, he accepted the position. His father, he said, advised him to go back to University, but left the decision to him. He admitted that his father had told him that the company had had difficulties, its operations having been cancelled by Order-in-Council. This conversation, he said, took place before he accepted the position.

He went to Calgary on the 15th of November for training in the Calgary office. He was shown accounting procedure with respect to receiving deposits, which was all

initially he was expected to do in Edmonton.

The Edmonton office opened on the 1st of January 1959, in space shared with Reo Realities, also sharing a secretary-stenographer. He remained in the Edmonton office for three years, and during that period he was solely responsible for the operations there. By the time he left to move to the Calgary office, deposits had reached a million dollars, and two full-time girls were working in the office.

He moved to Calgary in 1962 to take over the Alberta operations of the company. By this time the company had, in addition to the Calgary offices, two branches in Montreal, one in the Bahamas and one in Saskatchewan. Marks was then living in the Bahamas. On his move to Calgary Marks indicated to him that the company had grown to the point where it needed somebody to look after the Western Canadian operations, and his time was being consumed developing the company interests in Eastern Canada and the Caribbean. He told Nolan that the decision to place him in charge of western operations was made by Hanen and himself.

Nolan Hinman is still with the company in the capacity of General Manager of the company's entire operations, which are now carried on in Alberta, Quebec and the Bahamas.

His leaving to be director, he said, was as a result of the decision that the directors should be people other than employees, with the exception of the president.

He confirmed that the Treasury Branch had never during his association with the company, deposited money with the company. The company dealt with federally chartered banks.

Evidence was given with respect to this matter by Sam Hanen, who testified that he went into partnership in Farmers and Merchants Trust with Marks at the suggestion of Cliff Walker, after they had bought the charter of Fidelity Trust. He and Walker each put up \$37,500.00 for a fifty per cent interest and Marks took the other fifty per cent.

He had nothing to do, he said, with the hiring of Nolan Hinman and knew nothing about how that happened.

Hanen was asked the following questions with respect to the allegations in paragraph 8 of the statement of claim, to which he answered as quoted:

Q. I would like to ask you a question or two about a few of these paragraphs in the statement of claim, Mr. Hanen, in paragraph 8 it is set out that you paid \$75,000.00, as you have described, for an interest in the venture?

A. Yes.

Q. And that you told Marks that Farmers & Merchants would be reinstated with the government if Farmers & Merchants hired Nolan Hinman?

A. Where in the world, I never read the statement, I don't think it's a word of truth in there, there is nothing never been discussed because whole conversation was Mr. Cliff Walker and me went over there, and it's just like, that's all I paid - - - (inaudible) was all fixed up and there was no discussion to hire that fellow, not to hire or anybody else.

. . . . .

Q. Did you ever talk to Mr. Edgar Hinman about his son working for Farmers & Merchants?

A. No.

. . . . .

Q. Never at any time?

A. No.

C. G. Davey confirmed that Hanen had dealt with the Treasury Branch for some ten to twelve years and borrowed money from time to time. When asked if Hanen required any outside assistance in order to receive a loan he replied, "None at all", and pointed out that most of the time Hanen borrowed from the Treasury Branch it was on liquid security, has had tremendous sums of real good security with them at all times. He was sure that Hanen could borrow anywhere without any problem.

Mr. Hinman's evidence with respect to the hiring of Nolan Hinman by Farmers and Merchants Trust, in which he specifically denies the allegations in paragraph 8 of the statement of claim, is supported by the evidence of Hanen quoted above. On the basis of the evidence adduced with



respect to this matter the allegations cannot be accepted as true.

(b) Nolan Hinman's share interest in the company

Nolan Hinman confirmed his present shareholding in the company as 20,000 shares acquired in three lots. One thousand shares qualifying him as a director in 1961 were transferred to him as a gift by Hanen and Marks. In 1962 he purchased 7,000 shares for cash at \$2.00 per share. In 1963, exercising a shareholder's right to purchase  $1\frac{1}{2}$  shares for each share held, he purchased 12,000 shares at \$2.50 a share, paid for out of his own resources. He stated that the moneys for the purchase of these shares was raised through a loan from the Canadian Imperial Bank. The only assistance he received from his father was by way of a waiver with respect to money he owed him at the bank, and permission to put up as security the title to a piece of land owned by him and his father jointly. His note at the bank, he said, was well secured. He did not receive any assistance from Marks or Hanen in getting the loan from the bank, he said.

There is nothing about the manner in which Nolan Hinman acquired shares in Farmers and Merchants Trust that points to any influence being exerted by Mr. Hinman.

(c) E. W. Hinman's involvement with the company

Earlier in the report on this aspect of Farmers and Merchants Trust, Mr. Hinman was reported as testifying to the effect that his only involvement in the business operations of this company was in an attempt to settle a dispute between Marks and Hanen. This was a dispute which arose in 1963 about relationships of Farmers and Merchants Trust with Marks' own companies and subsidiaries. Mr. Hinman stated he was informed by Hanen that the auditors, particularly the Quebec auditors, the company then having a branch office in Montreal, were not happy. They were unable to get Marks to assist in settling it. Hanen, he said, showed him an agreement between Marks and Hanen of which he was, until then, unaware, providing that if a dispute arose between them they would refer it to Hinman, whose decision in the matter would be binding on them. The agreement referred to was produced, and provided as follows:

"WE, SAM HANEN and GEORGE L. MARKS, both of the City of Calgary, in the Province of Alberta, hereby agree that in the event that it is not possible for us to reach agreement in accordance with the Memorandum of Agreement made between us and dated the 18th day of July, A.D. 1958 in respect to FARMERS & MERCHANTS TRUST CO. LTD. that the matter in dispute shall be referred by us to E. W. HINMAN, of the City of Edmonton, in the Province of Alberta, and that his decision in respect to the matter shall be binding on both of us."

The agreement of the 18th of July 1958 referred to in the foregoing agreement recites that Hanen and Marks hold equally the shares of Farmers and Merchants Trust, that they have agreed to pool their shares and vote them as thereafter provided. It then continued on in the matter of a voting trust and stipulates a monthly salary for Marks.

Mr. Hinman said that he was not, until 1963, aware of the agreement dated the 18th of July, and when Marks came to him he was not aware that the agreements related only to the matter set out in the latter agreement. He told Hanen he did not mind an interview with Marks.

Shortly after, when he was in Montreal, his son and the auditor who were en route to Nassau, phoned to see if he could meet them with Marks in Miami, Florida, which he did. Prior to the meeting, Nolan briefed him on different transactions concerning Farmers and Merchants Trust, which he noted down on a memo and asked him to go through the items one by one and get an explanation and see if Marks had a solution to get it cleaned up. The memo was filed as an exhibit and showed large sums of money to be involved. He met Marks at the airport hotel in Miami. The meeting was not very long. They went through the items one by one, and Marks gave him his explanation and he made notes of it. He suggested to Marks that they meet with Nolan, who was upstairs, and try to get it cleaned up, to which



Marks reluctantly agreed. It became evidence, he said, that there was no hope of getting anything very clear about it, and the meeting was getting quite heated, and so it was broken off on his suggestion. No solution was reached. That was the last he had to do with Marks until Marks sued him. He admitted that the trip to Miami was paid for by Farmers and Merchants Trust.

With respect to the Miami meeting, Nolan testified that in the winter or spring of 1963 there was some question as to whether investments or funds in the company were properly accounted for, and that there was no explanation acceptable to the accountants. Marks met his father at the airport at Miami, and he later joined them. The atmosphere, he said, was not too friendly between himself and Marks, and nothing was accomplished. He said he had been pressing these matters for some time to get an explanation from Marks, without success. At that time, he said, things had gone about as far as they could go between himself and Marks and that was why Hanen called up his father to mediate under an agreement they had apparently entered into before.

Evidence was given by Sam Hanen who denied that he asked Hinman to intervene with respect to Marks' conduct of the business, or asked him to get information from Marks, nor did he instruct Nolan to ask Hinman to get any information. His disagreement with Marks was about money he said



Marks had taken out of the company and had not given him figures for it. He discussed this with him the last time he saw Marks in 1964 in Calgary. Marks at that time was living in either Nassau or Miami. Between then and the commencement of the action by Marks against himself, Hinman, Nolan Hinman and Farmers and Merchants Trust, an unsuccessful attempt at settlement had been made by Mr. Gregg, solicitor for the company, and Mr. G. Ennes, the company accountant.

While the evidence of Hinman and Hanen differs as to whether Hinman's intervention at Miami in the dispute with Marks was pursuant to the arbitration agreement between Marks and Hanen referred to above, it is not of any particular significance. There was nothing discernible in the conduct of Mr. Hinman in this matter which involved the use of his position as a member of the Executive Council.

4. ALBERTA WEST FOREST PRODUCTS CORPORATION LTD.

The Annual Report for the year 1957 of this company (hereinafter referred to as "Alberta West"), a private company, shows an authorized capitalization of 500,000 no par value shares, of which 28,000 had been issued and were held by six shareholders, G. D. McNab, R. E. Morton, F.L. Day and J. G. Thompson, all of Edmonton, H. Palmquist of Wisconsin, U.S.A., and G. A. Ryan of Calgary, all of whom, with the exception of Palmquist, were directors.

The 1958 Annual Report shows authorized capital of a million shares, of which 446,550 were issued and held by thirty-seven shareholders.

The 1960 Annual Report shows authorized capital of 1,500,000 shares, of which 838,800 were issued. By the 31st of December 1965, 1,339,034 shares had been issued.

In a letter dated the 10th of February 1965, to G. McNab, President of Alberta West, MacMillan, Bloedel and Power River Limited, a British Columbia company, offered \$1,667,500.00 for the assets of Alberta West. The sale was effected.

On the 26th of June 1965, a special resolution was passed by the necessary majority of shareholders providing that the company be wound up voluntarily pursuant to the provisions of The Companies Act, and appointing John A. Meikle, C.A., and A. Bruce Mitchell, C.A., of

Edmonton, liquidators. The liquidators submitted their report to the shareholders on the 6th of April 1966. The company was struck off the Register and deemed to be dissolved on the 30th of June 1967, pursuant to the provisions of Section 236 (a) 4 of The Companies Act

The matters relevant to this inquiry with respect to this company will be considered under the following headings:

- (1) Investigation of the company initiated by the Alberta Securities Commission.
- (2) Hinman's relationship to the company.
- (3) Acquisition of shares in the company by W. P. Madge, J. Superstein, S. Hanen and others.

(1) Investigation by the Alberta Securities Commission

The affairs of this company were the subject of investigation by the Alberta Securities Commission with respect to two matters, one, the sale of shares, the other as to whether the company or two of its officers had committed offences against The Securities Act. Both of these matters gave rise to matters touching on Mr. Hinman.

The reports arising from these two investigations will be considered in turn, but only with respect to matters relevant to this inquiry.

(a) Report on investigation of sale of shares

A return on the relevant documents on file with the Securities Commission in connection with this investigation prepared by K. J. Rootes, solicitor for the Securities Commission, and dated August 30th, 1967, was filed as an exhibit in this inquiry.

The return indicates that upon it coming to the attention of Mr. Rose, Chairman of the Securities Commission, that there was an implication that someone in the Lethbridge area was offering shares in Alberta West for sale, he instructed C. T. Ross, the Commission's investigator in Calgary, to ascertain the circumstances of any shares being sold in that area.

The return states that on the 16th of October 1964, a Lawrence Albrecht sent a telegram to Mr. Rose stating that members of the Alberta Land Owners Association demanded thorough investigation into Alberta West, and alleging that there were great irregularities contrary to The Securities Act. The report refers to a memo dated the 20th of October from Mr. Rose to John Hart, Q.C., Deputy Attorney General, reporting on receipt of this telegram, and to a meeting of the Attorney General, Honourable E. C. Manning, Mr. Hart and Mr. Rose. The memo voices the opinion that while there was a suspicion that The Securities Act may have been breached, at that point there was not sufficient evidence to warrant an order to investigate by the Commission.



The memo also states that Mr. Rose had received a letter from a firm of Lethbridge solicitors to the effect that one Harvey Wright had been selling a considerable amount of shares of Alberta West stock in the Milk River area. Pursuant to this information the memo states Mr. Rose was having the Calgary staff investigate.

The return indicates that on the 28th of October 1964, Albrecht phoned Mr. Newhouse (presumably connected with the Securities Commission) and stated his people were pressing him for some action in this regard, as seven Cabinet Ministers were involved. On the 29th of October, Rose instructed Ross, the Calgary investigator, to check out the sales by H. Wright in the Milk River area. On the 10th of November Ross submitted a report to Rose to the effect that as a result of his investigations he had determined that a Mr. Ami Croteau, who said he had known Wright for quite a few years, had purchased 13,000 shares of Alberta West stock from him and that Paul Madge of Milk River had purchased 12,000 shares from Wright possibly three years before, the latter also saying he had known Wright for many years, and on being asked if he had any outside advice in purchasing the shares said he had, from Mr. Hinman.

The return states that on the 16th of December a memo was received by Rose from Mr. Hart, which had attached to it a report from the Superintendent, R.C.M.P., "K" Division, Edmonton, to which in turn was attached a letter dated

the 7th of December from the Alberta Land Owners Association, demanding an impartial investigation into Alberta West. Attached to this letter was an affidavit sworn by Albrecht, to which reference will be made further on in this Report.

In a memo dated the 21st of December from Rose to Ross, enclosing a copy of the affidavit, Ross was instructed to obtain a statement from Madge as to what part, if any, Mr. Hinman had played in effecting the sale of Alberta West shares to him.

On the 26th of January 1965, Ross sent Rose a memo on his interview with Madge on the 20th of January with respect to the Albrecht affidavit. This memo was filed as an exhibit on this inquiry. As Madge appeared and testified before this inquiry, it is not necessary to elaborate on the contents of the report with respect to this interview, other than to note that it is in accord with his evidence.

This memo also refers to sales of shares by Wright to a Harold Anderson and Mr. and Mrs. Bardell, both of Milk River, but does not indicate any connection between Mr. Hinman and their purchase of these shares. Anderson, the report says, had no contact with any other person, nor had any other person contacted him about the company. Mrs. Bardell said that she had dealt only with Wright, and although she had heard of Hinman, had never met him.

A memo from C. C. Klapacki, Edmonton investigator

for the Commission, details the results of his inquiry with respect to Harvey R. Wright, and states that on the 31st of December, Wright presented himself at his office and admitted five share sales to people in the Milk River area, these being Ami Croteau, Paul Madge, Mr. and Mrs. John Bardell and Harold Anderson.

The report states that on the 1st of March 1965 Rootes, after reviewing the file in this matter and briefing the law, wrote a memo to Mr. Rose in which he gave as his opinion that there did not appear at that time to be any evidence that would warrant a charge being laid against the company, nor that would warrant an order to investigate the company. He recommended that charges be laid against Wright for illegal trading in securities in contravention of The Securities Act.

In due course a charge was laid against Wright on the 26th of April 1965. He appeared in court at Edmonton, pleaded guilty and was fined \$30.00 and costs, or in default, six days imprisonment.

The report indicates that Mr. Hart phoned Rootes and expressed dissatisfaction with the sentence and requested a report of the hearing. On the 25th of May, Mr. Hart informed Rootes he had instructed the Agent for the Attorney General at Lethbridge to appeal against the sentence. The appeal was heard in the absence of Wright, who had apparently gone to South America, and the fine was increased



to \$300.00. A warrant was issued and evidently served on Wright in Alberta, and the fine was paid

The report indicates that Rootes had been informed from time to time by the R.C.M.P. that Wright had been out of the country since the 8th of July 1966, when he submitted a report to the Premier summarizing the investigation to date.

Rootes summed up the investigation with these words:

"To sum up this investigation in the light of the examinations of the officers of the company and the company's records, it appeared to me that although there had been considerable share trading most of this trading except that in which Wright was involved in the Milk River area, was not with the public in the meaning of The Securities Act and I have no evidence whatsoever that the company participated in illegal trading. Mr. McNab the President of the Company, did his trading generally with people who any Court would likely decide had a community of interest with him . . ."

". . . Further, in regard to any evidence involving Mr. Hinman or any other member of the Government, I would state that the only evidence there is on our file in respect to this is that which has already been referred to in the case of Paul Madge, and our Investigator's interview with Madge seems to indicate that the allegations made in Mr. Albrecht's Affidavit concerning this matter have not checked out. Our examination of the books and records of Albertawest, although not entirely complete, does not indicate that Mr. Hinman owned any shares of Albertawest Forest Products Ltd. directly or indirectly, and I informally asked Mr. Mitchell, one of the Liquidators, whether or not our conclusion was correct in this regard, as far



"as he knew. He replied that he could not recall any evidence that Mr. Hinman had any interest in this company or had made any claim against the assets of the company."

(b) Investigation of the company and two officers

Rootes' return indicates that after the assets of the company had been sold to MacMillan Bloedel for \$1,600,000.00, complaints were received from shareholders about officers of the company picking up share options at prices between five cents and fifty cents. Rootes recommended, in a memo to Hart, that the only way to ensure the shareholders received all they were entitled to would be to obtain an order to investigate the records of the company. In due course Mr. Hart approved the issue of an order to investigate the company, and on the 4th of August 1964, an order was issued to investigate the company and its officers, Gordon D. McNab and Frank L. Day, to determine whether the company or these officers had committed an offence or offences against The Securities Act.

The investigation of the company records pursuant to this order was conducted by J. O. Darwish, C.A., who submitted two reports on the 2nd of September 1955, and 24th of February 1966.

The Liquidation Report to the shareholders dated the 6th of April 1966, states that they were advised by the Chairman of The Securities Commission on the 9th of March 1966, that the Commission had no claim against the

company or the liquidators.

In the Liquidators' Report the Provincial Treasury Branch is shown as having surrendered a total of 50,750 shares registered in the name of Harvey Wright. Mr. Hinman testified that these were shares pledged by Wright as security for borrowings from the Treasury Branch for the purchase of shares. He came to know that, he said, from Mr. Davey, Superintendent of Treasury Branches, who was the only source of his information

There is no evidence linking up Mr. Hinman with this Treasury Branch loan to Wright.

(2) Hinman's relationship with the company

Mr. Hinman testified in this regard that he was not in any way connected with the formation of this company and knew nothing of its inception. In 1957, he did not know any of the directors mentioned above other than McNab, whom he had met at St. Regis Pulp Company, of which McNab was manager. He had no business relationship with McNab at any time. His first conversation with McNab about Alberta West occurred a long time after the company was in operation when he met McNab in a plane returning from the east. On this occasion McNab told him of the company's development and that they were seeking finance and underwritings. That was the first occasion on which he could recall he had received any information about the operation and finances of

this company, although he was aware of its existence by reason of an Order-in-Council approving some tentative leases of the company.

His attention was drawn to H. R. Wright, who appears as shareholder in the company on the 1958 annual return. He said that he knew Wright in the south when he (Hinman) was a teacher at Milk River. Wright, he said, came to talk to him quite a few times about Alberta West, for which he had plans of his own that he thought might work to help the company raise money. He wanted Hinman to get him appointments with big eastern financial interests whom he thought might be persuaded to underwrite the company. Mr. Hinman informed him that all he could do for him was to give him a letter of introduction to anyone he might suggest

He testified that he had never had an financial interest whatsoever direct or indirect, in the company. He admitted that he had an interest as a member of the government in seeing this pulp operation in Alberta go forward.

In this connection he said he and the Honourable N. A. Willmore, Minister of Lands and Forests, went to Chicago to attend a meeting of people who might be interested in underwriting the company. It was attended as well by officers and engineers of Alberta West. His presence there, he said, was to tell them of the financial position of Alberta, and it was pursuant to a request from Alberta



West to inform these people of the advantages of Alberta. When asked if he went with the knowledge of the Executive Council, he felt sure it was, but pointed out that it was not the policy to tell Ministers where to go, but he could recall discussing the meeting on his return with the Executive Council. At this time the timber licences and leases had been granted under The Forests Act. At this meeting he told them about the low tax structure in Alberta, the fact that there was no provincial debt, and no special taxes on such companies. In doing this, he said, he regarded it as a function of his duties as a Minister. The meeting did not result in an underwriting being obtained. He confirmed that his expenses for the trip were paid by the company. Having regard to the purposes of the trip this does not seem to me to have been an impropriety on the part of either Minister.

When asked if he had ever received any personal benefit, directly or indirectly, from Alberta West, or from the promoters, or from Gardiner and Company, or from Superstein, he answered in each case "None"

He was shown a letter from MacMillan Bloedel to McNab dated the 10th of February 1965, relating to negotiations for the purchase of the assets of Alberta West, and was then asked if he had ever seen it before or knew anything about the circumstances, to which he replied "No". He denied that he had dealt with MacMillan Bloedel in any



way, or with any of the financial houses with respect to underwriting the company.

Superstein referred to one occasion on which he and Hinman met Mr. Gardiner of Gardiner and Company, Toronto, in connection with financing the company. He said that officers of Alberta West could have been at the meeting too.

G. D. McNab, former president of Alberta West, testified that a timber lease was obtained by the company from the provincial government on the 21st of May 1958, at which time he did not know Hinman and did not talk to him. The only Minister he said he had reason to contact in that regard was the Honourable N. W. Willmore, Minister of Lands and Forests. After getting the lease they went all over the world to get money to finance the company's operation, for which fifty million was needed. On the 15th of August 1961, an Order-in-Council was granted extending the lease, and it was later extended three or four times.

Referred to meeting Hinman and Superstein on the plane from Montreal, he declared that he could not recall having met Hinman before that. In his conversations with Hinman he tried to get the Government of Alberta to guarantee the company bond issue, as other provincial governments guarantee bond issues of any pulp mill that comes into the province. He kept on trying to get such a guarantee but never succeeded. He confirmed that he obtained letters addressed to him in his capacity of president from four

different Ministers, among them Hinman, commending the project. The letter from Hinman notes with gratification being informed by him that the company is hopeful of completing in principle final financial arrangements, expresses the interests of the people and Government of Alberta in the success of the company, and points out that the government would like to see as much Canadian or Alberta money as possible used in Canadian industry. This letter was one of the letters, copies of which were sent to Rabbi Sacks in Chicago, Illinois, referred to later in this Report. When asked if he called on Hinman for any assistance in any way related to the extension of leases from the provincial government, he replied " . . . Mr. Hinman was never concerned with the leases and I never talked to him about that, but I did ask his advice about finances". In that regard he pointed out that Hinman was Provincial Treasurer and he naturally asked him and the Premier, and everybody else, for assistance in guaranteeing the bonds. That, he said, was his major concern

He did ask Hinman who would be the proper people to underwrite the project, and he suggested three or four groups, among them Gardiner and Company, which was the one selected. He himself personally knew John Gardiner, the head of this company.

He confirmed that Hinman had no financial interest, direct or indirect, in the company.

With respect to the Chicago meeting he said they invited Hinman and Willmore to this meeting of finance company's representatives, organized by Gardiner and Company, to give them the story of what the Government of Alberta was doing and what the company was doing. Both Hinman and Willmore, he said, went there in their official capacity.

He confirmed that he met Superstein in the plane on the occasion on which he met Hinman, and that they talked this thing over, and he pointed out to Superstein "that they had \$150,000,000.00 worth of gold sitting on top of the ground". Superstein thought it was a good deal and so he came into it.

When the company found they could not raise the necessary finances he went to H. R. MacMillan of MacMillan Bloedel, whom he knew, and got him interested, and as a result the leases were assigned to that company by an agreement dated the 10th of March 1965. With respect to this transaction he said that Mr. Hinman did not intervene in any way with the conclusion of the deal. With respect to the difficulties with the Securities Commission he said that he did not consult Hinman with respect to them, nor did he ever discuss the matter with him. He had no knowledge whether Hinman intervened on behalf of the company or himself with the Commission.

He had no knowledge of Superstein or any other shareholder holding shares in the company for Hinman or on



his behalf.

The evidence establishes that Hinman did not meet McNab until after Alberta West was in operation and that he did not play any part in the granting of the original lease or its subsequent renewals and was only aware of the company's existence prior to meeting McNab by reason of the Order-in-Council approving the lease. The evidence also establishes that he did not have any financial interest in the company, direct or indirect.

His participation in the affairs of the company, other than commending it to certain persons interested in purchasing shares, to which reference will be made further on in this section, consisted of assisting the company in its efforts to obtain financing through Gardiner and Company, Toronto, in the course of which he attended a meeting with Mr. Gardiner in Toronto, attended by officers of Alberta West. He also attended the meeting in Chicago of American financial interests organized by Gardiner.

His activities in this regard were consistent with his duties as a member of the Executive Council in encouraging a project he considered to be in the interests of the province. The evidence does not indicate that he was motivated by any other intention.

The evidence establishes that he did not play any part in effecting the sale of the company's assets to MacMillan Bloedel.



There is no evidence of his having derived any financial benefits from the company other than the payment of his expenses to the Chicago meeting, to which, as stated above, no impropriety attaches.

- (3) Acquisition of shares in the company by  
W. P. Madge, Rabbi Sacks, J. Superstein  
S. Hanen and others

Madge

On the 28th of November 1964 one Lawrence Albrecht swore an affidavit in which he alleged:

1. That on or about the first day of October, 1964 A.D. I approached one Paul Madge of the town of Milk River in the Province of Alberta.
2. That the above named Paul Madge gave me the following information regarding Alberta West Forest Products Ltd., a company chartered under the laws of the Province of Alberta.
  - (a) That he had purchased approximately fifty thousand dollars worth of shares in the said Alberta West Forest Products Ltd.
  - (b) That the said shares were purchased from one Wright, who to the best of his knowledge was a share holder in the above named company.
  - (c) That the above named shares, that were purchased from Wright, were highly recommended by Mr. E. W. Hinman, who intimated to Madge that he also was a shareholder of Alberta West Forest Products Ltd.

- (d) That the said Paul Madge informed me that if Mr. E. W. Hinman who was then Provincial Treasurer of the Government of the Province of Alberta had not recommended and insisted that I purchase the said shares from Wright, I would not have purchased them on my own.
  - (e) That Mr. Hinman informed Madge that he had a sale for the above said company and that he would have the return of his money within a week of the time of this conversation.
3. That I give the above information, and believe it to be true to the best of my knowledge.

Mr. Hinman's evidence with respect to Madge was that although he knew his father for many years, he did not know him. Madge phoned him and told him that Wright wanted him to buy some shares in the company and asked him if he knew about it. He told him it looked good on the basis of the information in the prospectus; that he himself did not have any shares in it and was not an investment counsellor. He learned after that Madge had bought some shares.

Mr. Hinman, on being asked if he himself had any part in selling shares to anyone answered "No".

On his attention being drawn to the phone call from Albrecht to Newhouse, referred to above, alleging that seven Cabinet Ministers were involved in the shares of Alberta West, he denied that he was one of them. There is no evidence indicating that any other Cabinet Minister was involved in any way in the shares of Alberta West

Madge, an implement dealer at Milk River, gave evidence as to how he became a shareholder in Alberta West. Wright, whom he had known all his life, came to him and asked him if he was interested in getting in on a pretty good deal along with two or three other persons in the neighbourhood. He became interested and agreed to buy some shares. Wright told him if he phoned Hinman or Davey at the Treasury Branch, he could find out about the company. Wright, he said, did not give him the idea that Hinman had an interest in Alberta West. He said he phoned Hinman who said it looked like it would be a good thing, a pretty good company to get into. It never entered his mind to ask Hinman whether he was a shareholder or not, and Hinman did not say he was a shareholder at that time. Later on Hinman in fact informed him that he was not a shareholder.

He denied that Hinman urged him to buy the shares. "It was nothing to him", Madge said. When asked if he bought his shares because of Hinman, he answered "No".

The evidence of Madge refutes the allegations in Albrecht's affidavit to the effect that Hinman intimated he was a shareholder of Alberta West, that Hinman insisted he purchase shares in the company and that he bought the shares because of Hinman.

Rabbi Dr. Louis L. Sacks

The following memo, dated the 28th of May 1961, purported to be signed by G. R. Wright, was among the documents tabled in the Legislature by Mr. Turcotte:

"I hereby accept \$5,000.00 which completes the full payment for the purchase of 19,500 shares of Alberta West Forest Products Ltd.

"This completes my entire transaction of the original deal; I no longer have any interest in the above shares and these shares become the sole property of Dr. Louis Sacks.

"This above letter is binding upon myself, my executors and my assigneds."

Mr. Hinman's evidence with respect to the acquisition of shares in Alberta West by Dr. Sacks, a Rabbi living in Chicago, Illinois, was to the effect that he discussed Alberta West shares with him on one occasion which occurred after Superstein had phoned him at his office one night and said he would like to come over with the Rabbi and Dr. Duggan. They came over and asked about Alberta West. He had just received a draft copy of the Gardiner prospectus, out of which he read some excerpts to them, and commented "It looks as if they were going to underwrite it and if they did there was no reason why it should not be a good thing". The Rabbi remarked that he would have to mortgage his pension in order to buy some shares. Hinman said that he did not know how you could mortgage a pension,



but it might be worth mortgaging a house, which, he said, the Rabbi may have taken as a recommendation.

Mr. Hinman denied that he had ever written a letter to the Rabbi or authorized one to be written. He remembered distinctly saying to the Rabbi "These companies can always be tricky".

The Rabbi was served by registered mail with a letter advising him of this inquiry, and that one of the subjects of the inquiry would relate to the sale of shares in Alberta West, insofar as Hinman might have been involved. He was invited to attend and give evidence at the expense of the Commission, and if not, write and set out in detail all complaints he might have relative to the inquiry. Commission Counsel stated that he had not received any reply to this letter.

The evidence with respect to the purchase of shares by Dr. Sacks does not indicate that Mr. Hinman did more than recommend the purchase of shares as a good investment. The evidence does not establish that Dr. Sacks bought these shares by reason of any representation made by Hinman in his capacity as Minister. The copy of a letter from Hinman to McNab, which was sent by McNab to Dr. Sacks, referred to earlier in this section, is nothing more than a general commendation of the project, couched in terms that cannot be construed as officially recommending the purchase of shares in the company.

Superstein

Mr. Hinman confirmed that he had spoken to Superstein about the company, probably first at the time he met McNab on the plane coming from eastern Canada, as Superstein, he thought, was on the same plane.

By the 31st of December 1961, Superstein held 65,500 shares in the company according to the Annual Report for that year. Superstein, he said, after becoming acquainted with McNab, developed enthusiasm for the company and told Hinman he was going to buy some shares. When asked if he had given Superstein any advice in the matter, he replied that he probably told him "it looked good to me", but his discussions with Superstein went no further than that.

Superstein testified that Hinman was always interested in the development of the natural resources of the province, and suggested that this new private company had been organized to develop a pulp mill in the neighbourhood of Whitecourt, and that some of the shares were available. He told him that if he wanted to buy some shares he could. To verify what Hinman had told him, he took some of his friends to the Legislative Building for a chat with him. At this meeting he said he thought in the long run it would turn out to be a good investment. Afterwards, Wright came to his home and he had a talk with him, and in the result he and a syndicate bought some shares.

Mr. Hinman, he said, did not to his knowledge appear to have a personal interest in the company.

Hanen

Excerpts were read to Mr. Hinman from the examination of Hanen on an affidavit he had sworn in connection with the Edmonton Airport foreclosure action, in which he asserted that Hinman approached him and asked him if he wanted to purchase some stock in a block of stock of Alberta West, which he agreed to do at a price of \$1.65 per share. With respect to this assertion Mr. Hinman stated that the first time he had any knowledge that Hanen thought he was connected with the company was when Hanen told him he had been promised shares by Superstein at cost to him, and hadn't got them at that price. Hinman agreed to ask Superstein about it, which he did. Superstein, when approached on this matter, said that he hadn't ever promised them to him at this price and that all he had done was add what he thought was normal interest. Mr. Hinman reported this to Hanen and said that this was all he knew about it.

He denied that he gave Hanen any advice with respect to these shares. He had no idea of how Hanen came to think that he had an interest in Alberta West.

Mr. Hinman was then asked the following questions, to which he answered as quoted:

Q. Did you have anything to do with the purchase of shares by Hanen after this first discussion you had?

A. No.

Q. None at all?

A. None at all.

. . . . .

Q. But at least you were clear in your mind that on no other occasion did you give him any information of Alberta West or where shares might be bought?

A. That's right.

Hanen testified that at a meeting with Hinman, Tanner and Superstein, which he thought was also attended by Wright, he was informed that he had a chance to buy a block of stock in Alberta West at \$1.00 per share. Later on he said he purchased 20,000 shares in the company at \$1.65 for which he sent a cheque to Superstein. When asked if he was dealing with Superstein he replied "No" that he was dealing through Mr. Hinman who was the one who recommended the shares to him.

Superstein, recalled for cross-examination by Mr. Hinman with respect to the evidence of Hanen, confirmed that Hinman had never asked him to suggest to Hanen that he ought to buy shares in Alberta West. He could not recall a meeting at which he was present to urge this. He also confirmed that Hinman had told him (Superstein) that Hanen was unhappy about the price he paid for his stock.



While the evidence indicates that it was Hinman's enthusiasm for and confidence in the prospects of Alberta West that was a factor in initiating Superstein's and Hanen's interest in the company, the evidence does not establish that he was instrumental beyond that in their subsequent substantial purchase of shares in the company, nor is there any evidence that his favourable disposition toward the company and its prospects is attributable to any self interest. However, the extent to which he did lend himself to encourage the purchase of shares in this company was, in my view, inappropriate for one holding the office of Provincial Treasurer for the Province of Alberta.

## 5. MISCELLANEOUS TOPICS

This part of the Report relates to five different topics, none of which are in any way connected with each other or with any of the matters considered earlier in this Report:

- (1) Calgary Ambulance Services Limited and Calgary Oxygen Rentals Limited.
- (2) John Lawrence Hunter affidavit.
- (3) Hutterite land sales.
- (4) Penthouse Towers Apartment Hotel.
- (5) Cascade Drilling Limited.

### (1) Calgary Ambulance Services Limited and Calgary Oxygen Rentals Limited

The former company was incorporated as a private company on the 15th of May 1952, with a capitalization of 40,000 shares having a par value of \$1.00 each, of which 4,003 shares were issued and held by three shareholders whose names are of no significance to this inquiry.

During the period 1952 to 1960 various changes in share ownership took place. The Annual Report for the year ending December 30th, 1961, shows Calgary Oxygen Rentals Limited as owning 5,338 shares and O. Kutsch and Sam Hanen one share each. The Annual Report for the year ending December 30th, 1964, shows the one share formerly held by

Hanen as being held by Nolan Hinman. The same ownership of shares appears in the Annual Report for the year ending December 30th, 1967. On the 27th of July, 1967, the name of the company was changed to C.A.S. Ambulances Ltd.

Calgary Oxygen Rentals Limited was incorporated on the 26th of February 1958, with an authorized capital of 20,000 shares at the par value of \$1.00 each, of which nine shares were issued and held in equal amounts by three shareholders whose names are not relevant to this inquiry. The Annual Report for the year ending 31st December 1961, shows Hanen and Kutsch as shareholders and directors. The Annual Report for the year ending 31st December 1964, shows Hanen, Kutsch and Nolan Hinman as shareholders, and Hanen and Nolan Hinman as directors. The Annual Report for the year ending December 31st, 1967, shows Kutsch having eight shares and Nolan Hinman having one share, and both as directors.

Mr. Hinman testified that Kutsch, a young man of whom he thought a lot having operated a farm for him, worked as an employee for Calgary Ambulance Services. He came to Mr. Hinman and informed him that the owners wanted to sell the business. Mr. Hinman sent him to Sam Hanen. Calgary Oxygen Rentals acquired all but two of the shares in the company and it was proposed that Hinman hold one share. He said that he did not have time to attend meetings and accordingly it was arranged for Kutsch to hold a share

in trust for him. Hinman and Hanen backed the credit of the company at the Toronto-Dominion Bank. In 1964 he said, Hanen turned over his share in the company to Nolan Hinman, the company banking was transferred to the Canadian Imperial Bank of Commerce and Mr. Hinman and Nolan Hinman signed a note for a bank loan. The function of Calgary Oxygen Rentals, he said, was to supply oxygen to patients who require it medically, and to ambulances. He stated that these companies had no contracts with the government.

There is no evidence with respect to these two companies indicating any advantage accruing to them by virtue of Mr. Hinman's connection with them.

(2) The John Lawrence Hunter affidavit

A lengthy affidavit (14 pages) sworn by John Lawrence Hunter on the 2nd of April 1967, was put in as an exhibit. Hunter deposed that in 1962 he was developing a half section of land, later increased to two and a half sections, held jointly with his wife under The Homestead Act in the New Fish Creek area. He entered into an arrangement with a Glen Barfuss by which Barfuss would pile burned-out brush and break some of his land with a caterpillar D-4 purchased from a Mr. A. Rindlespacker. Hunter's contact with Barfuss extended during the period July 1962 to early in the summer of 1966.



The substance of this affidavit is that Barfuss told Hunter that he had financial backing from E. W. Hinman; that both Hinman and Dr. V. A. Wood, Director of Lands, owned or held farms adjacent to or near the Barfuss farm at Hillspring; that the Department of Lands was showing partiality to Barfuss and treating Hunter unfairly (Barfuss then holding five quarter sections jointly with his wife under The Homestead Act). In 1966, having financial difficulties, Hunter obtained permission from the Minister of Lands and Forests to sell a half section of his homestead. Barfuss, he said, expressed interest in purchasing it and he alleges that Barfuss said "I have to get all this straight before I get the financing as there is a lot of Hinman's money in this."

Mr. Hinman testified that Barfuss was born and raised on a farm near his home farm at Glenwood and that he knew him as a youngster. On a trip to Northern Alberta in about the year 1962, in the company of his wife and a Mrs. and Mrs. Blackmore, while he was at a service station in Valleyview a young man whom neither he nor his wife recognized, came up to him and identified himself as Glen Barfuss, and told them he was working in the north clearing land, and hoped to homestead near Valleyview. The next morning Blackmore expressed the desire to see how this clearing was done and what this new country was like, and so having found out where Barfuss was, they drove out. He

could not recall the name of the owner of the farm but the name was established as Rindlespacker.

Rindlespacker, he said, informed them that he wanted to retire and sell his farm, cattle and equipment for \$84,000.00. Mr. Hinman said of course he was not interested in buying farms in the north and they went on their way, having been there about thirty minutes.

His only further contact with Barfuss, he stated, was when Barfuss later told him that Rindlespacker was dead and the farm could probably be bought for a lot less money. Again he was not interested. He denied that he gave financial backing of any kind to Barfuss and affirmed that this meeting at Valleyview was the only occasion on which he had seen Barfuss since many years before.

He admitted that he and Dr. Wood were good friends but denied that he ever had occasion to talk to him in any way whatsoever about the affairs of Barfuss, or about the affairs of Hunter, whom he had never met and did not know.

The allegations of Hunter in his affidavit insofar as they relate to Mr. Hinman are hearsay without any apparent basis of fact whatever, indeed they are contradicted by written statements by Dr. V. A. Wood, Deputy Minister of Lands and Forests and F. Bryenton, Supervisor of the Homestead Section in the Land Division of that Department, filed as an exhibit. Counsel accepted these statements without requiring

that these officials be called to substantiate their contents.

(3) Hutterite land sales

Evidence was adduced with respect to the sale of farm lands in southern Alberta to the Hutterites, through the efforts of a syndicate of which Mr. Hinman, Cliff Walker, and two others by the names of Kumm and Kearn were members. A dispute between Hinman and Kearn Bros., to whom Hinman had sold some farm lands, resulted in a Supreme Court action between Kearn Bros. as plaintiffs and Mr. Hinman as defendant, in 1964. Part of the dispute related to Mr. Hinman's share in the profits from the Hutterite land transaction. However, the Hutterite land transaction took place prior to Mr. Hinman becoming a member of the Executive Council and therefore has no relevance to this inquiry, nor does there appear to be anything else in connection with Mr. Hinman's relationship with Kearn Bros. relevant to this inquiry.

(4) Penthouse Towers Apartment Hotel

Sessional Paper 78 of/65 return filed pursuant to the order of the Legislative Assembly on the motion of Mr. Dickie, M.L.A., contains, among other matters, an inquiry with respect to rent paid by the government for

certain buildings in Calgary, one of them being Penthouse Towers Apartment Hotel Limited. A letter from the Registrar of Companies with respect to this company advises that it was incorporated on the 5th of October 1960, that Sam Hanen and George L. Marks were appointed directors on the 17th of October, which positions they held until replaced by other directors on the 4th of November 1960.

Mr. Hinman testified with respect to this apartment hotel that he did not have anything to do with the leasing, and never had any interest in the company, and there is no evidence indicating otherwise.

(5) Cascade Drilling Limited

Mr. Hinman was asked on cross-examination if he ever had anything to do with this company. He testified that he never had any shares in the company, that he never assisted the company in obtaining financing, that he could not recall corresponding or communicating with any of the people involved in the company and did not know anyone connected with it other than Cliff Walker. He said he was aware of the fact that this company had arranged a loan with the Treasury Branch, but could not confirm the amount or when the loan was made. He denied that he was instrumental or played any sort of a role in arranging this loan, nor could he recall the terms of repayment or collateral that were used to secure the loan.



C. G. Davey, Superintendent of Treasury Branches, testified that Cascade Drilling had been a very good connection of the Treasury Branch for many years. He was aware that Walker was a shareholder to the extent of about one-third of the shares, but in their dealings with the company Walker never approached the Treasury Branch for loans, and as far as he (Davey) was concerned, was quite inactive in the company. It was basically operated, he said, by a Mr. Ballade and Orville Mathemy, who were the only two men connected with this company with whom he dealt.

When asked if in dealing with them he was influenced in any way by Mr. Hinman, he replied "None at all". Nor, he said, was he aware of Mr. Hinman having any interest in the company. There is no evidence linking Mr. Hinman with the affairs of this company.

## F I N D I N G

In the foregoing pages, I have stated the conclusions I have reached on each aspect of the inquiry and have indicated the evidence and considerations on which they are based. In the result, it is my finding within the meaning of my terms of reference,

1. That the Honourable Alfred J. Hooke did not use or attempt to use his office as a member of the Executive Council of Alberta for the personal gain of himself, his friends or his business associates in conflict with his public duty, and
2. That Edgar W. Hinman did not use or attempt to use his office as a member of the Executive Council of Alberta for his personal gain in conflict with his public duty.

CONCLUDING NOTES

The Minister and former Minister gave evidence voluntarily, and co-operated in the production of all relevant documents.

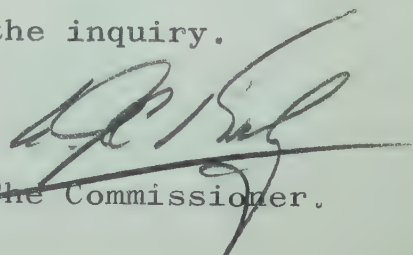
The Commission appreciates the assistance of S. A. Friedman, Q.C., Counsel for departments of government, in effecting the prompt production of a great number of documents from government files.

The Commission is grateful to the Clerk of the Court for co-operation in providing facilities for the hearings and to his staff for their services.

The Commission wishes to commend the official Court Reporters for their efficient reporting services in providing daily a transcript of the proceedings, excellently compiled, which was helpful to all participating in the inquiry.

The Commission is grateful to counsel for their co-operation and assistance throughout the inquiry.

The Commission wishes particularly to thank its counsel, C. W. Clement, Esq., Q.C., for the systematic manner in which the vast amount of documentary evidence was marshalled for presentation; for the efficient arrangements made for the appearance of witnesses, which contributed much to the smooth and expeditious progress of the inquiry; for his fair presentation of all evidence relevant to the inquiry.



The Commissioner.

## Appendix "A"

N O T I C E

The Public Inquiries Act, Chapter 258,  
Revised Statutes of Alberta, 1955

TAKE NOTICE THAT THE Royal Commission issued by the Lieutenant-Governor in Council pursuant to The Public Inquiries Act to make an inquiry into the following matters, namely:

- (1) Whether or not the Honourable Alfred J. Hooke used or attempted to use his office as a member of the Executive Council of Alberta for the personal gain of himself, his friends or his business associates in conflict with his public duty, and
- (2) Whether or not Edgar W. Hinman used or attempted to use his office as a member of the Executive Council of Alberta for his personal gain in conflict with his public duty.

will hold its first sitting at the Court House in the City of Edmonton in Court Room No. 1 thereof on Thursday, the 15th day of June, 1967, commencing at 9:00 o'clock in the morning.

All persons or organizations who wish to give or put forward evidence relating to the matters under inquiry, and all counsel engaged for the hearings, are requested to appear at that time and place to inform the Commissioner of the general nature of their interest or evidence, and to receive the directions of the Commissioner in respect of the order of business of the Commission, the dates upon which the evidence of witnesses will be heard and other matters of procedure.

If any such persons or organizations shall be unable to attend or be represented at that time and place, or wish to obtain further information in the meantime, they are requested to communicate with C. W. Clement, Esq., Q.C., Commission Counsel, at 500 Empire Building, Edmonton.

Dated this 24th day of May, 1967.

W. J. C. Kirby, J.S.C.  
Commissioner

CREST



## Appendix "B"

LIST OF WITNESSES

	<u>WITNESS</u>	<u>Volume</u>	<u>Page</u>
1.	Ervin Coombs .....	2	56
	.....	12	1192
2.	Paul Shepherd Kaplan .....	2	126
3.	Johnstone Ainsley Weber .....	3	150
	.....	3	182
4.	Robert Norman Giffen .....	3	247
	.....	4	276
5.	Noel Buckland Dant .....	5	392
	.....	8	713
6.	John Hubert Holloway .....	6	524
	.....	7	609
	.....	8	738
7.	The Honourable Gordon Edward Taylor .....	8	765
8.	Louis Kutt .....	8	773
9.	Frank Smeltzer .....	8	796
	.....	9	843
10.	Thomas Edward Rippon .....	9	870
11.	Arthur Arnold .....	9	877
	.....	20	1990
	.....	36	3838
	.....	53	5876
12.	Alfred Hawkins .....	9	887
	.....	37	3934
	.....	39	4133
13.	Erwin Euston Wilson .....	9	947
	.....	10	970
	.....	10	1039
	.....	11	1085
	.....	19	1958
	.....	21	2071
	.....	21	2145

	<u>WITNESS</u>	<u>Volume</u>	<u>Page</u>
14.	George James Bryan, Q.C. ....	10	994
15.	John Hook Campbell .....	10	1031
	.....	10	1048
	.....	11	1101
	.....	12	1270
	.....	14	1366
	.....	36	3858
	.....	38	4073
16.	Thomas Laverne Henderson McCoy .....	13	1248
17.	Harry Lash .....	15	1455
	.....	16	1554
18.	Elborne Robert Hughes .....	16	1633
	.....	17	1667
	.....	18	1760
	.....	53	5897
19.	James Warr .....	18	1795
	.....	53	5885
20.	Douglas Randolph Matheson .....	18	1823
21.	Angus G. Macdonald .....	18	1844
	.....	22	2177
22.	Leonard A. Gertler .....	19	1875
23.	Cyril George Davey .....	20	2050
	.....	21	2076
	.....	21	2135
	.....	22	2223
	.....	54	5946
24.	Richard Martland .....	21	2120
	.....	21	2150
25.	Bishop Paul Piche .....	22	2200
26.	Svend Jensen .....	22	2217
27.	James Lloyd Harris .....	22	2253
	.....	22	2302
28.	George Maxwell Peacock, Q.C. ....	23	2323
29.	Marcel Adam Miles .....	23	2339
	.....	24	2526

	<u>WITNESS</u>	<u>Volume</u>	<u>Page</u>
30.	Edward Wallace Ball .....	23	2405
31.	Gordon Ward Moyer .....	24	2439
32.	Jacob Superstein .....	24	2474
	.....	25	2586
	.....	52	5700
	.....	52	5762
	.....	53	5789
	.....	53	5814
	.....	55	6009
33.	Murray Edgar Stewart .....	24	2540
34.	Robert L. Brower .....	25	2574
35.	Andrew William Snaddon .....	26	2662
	.....	27	2797
36.	James Hume .....	26	2727
	.....	27	2779
37.	Edward Hugh Leger .....	27	2796
	.....	27	2815
	.....	28	2895
	.....	35	3790
38.	Morley Gordon Grundberg .....	29	3016
39.	Charles Alexander Allard, M.D. ....	29	3069
	.....	30	3161
	.....	31	3240
	.....	36	3869
	.....	37	3994
40.	Dudley Blair Menzies .....	31	3299
	.....	32	3347
	.....	39	4202
41.	Alan Fraser Macdonald, Q.C. ....	32	3445
	.....	33	3457
42.	Bertram Henry MacKay Sladden .....	33	3529
43.	George Craig Hamilton .....	33	3558
	.....	34	3576
	.....	42	4450
44.	Sidney Clive Rodgers .....	34	3652
	.....	35	3687

	<u>WITNESS</u>	<u>Volume</u>	<u>Page</u>
45.	The Honourable Mr. Justice William George Morrow .....	35	3695
46.	Colin Gowans MacGregor .....	35	3726
47.	Ronald John Hayter .....	35	3760
48.	William Hawrelak .....	36	3800
49.	Jacob Nicholas Agrios .....	36	3828
50.	Mearl Roger Parker .....	37	3924
51.	Kenneth Roy Turner .....	37	3949
52.	John Ernest Cook .....	38	4044
53.	Gerald Joseph Robinson, C.A. ....	39	4156
54.	Ben Shikaze .....	40	4231
	.....	40	4274
55.	David Dewolfe Bentley .....	40	4250
56.	The Honourable Alfred John Hooke .....	40	4291
	.....	41	4344
	.....	42	4441
	.....	42	4459
	.....	43	4563
	.....	44	4685
	.....	45	4802
	.....	46	4927
57.	William James McKay Henning, Q.C. ..	41	4332
58.	Lucien Maynard, Q.C. ....	45	4917
59.	Edgar W. Hinman .....	47	5070
	.....	48	5175
	.....	49	5302
	.....	50	5438
	.....	51	5536
60.	Nolan Edgar Hinman .....	51	5574
61.	William Ezra Tanner .....	51	5633
	.....	52	5664
	.....	52	5758



	<u>WITNESS</u>	<u>Volume</u>	<u>Page</u>
62.	Sol Estrin .....	52	5743
63.	Gordon Duncan McNab .....	53	5791
64.	The Honourable Senator James Harper Prowse .....	54	5904
65.	William Paul Madge .....	55	5964
66.	Samuel Hanen .....	55	5970











Alberta. R. C.[to investigate the  
conduct of A. J. Hooke and E. W.  
Hinman while members of the Executive  
Council]

Report of the Hon. ... W.J.C. Kirby

C.1 ~~20000~~  
**Alberta**  
PROVINCIAL LIBRARY  
Edmonton

